Austria	Sch30	Indonesia	Rp3100	Pakistan	Rs35
Bahrain	Din0.950	Iran	Rls210	Philippines	Pes40
Belgium	BFr60	Israel	Shk4.50	Poland	Zl 15,000
Cyprus	C£1.00	Italy	L2200	Portugal	Es175
Czech	Kcs35	Jordan	JD1.30	Qatar	QR10.00
Denmark	DKr15	Korea	Won 2000	S.Arabia	SR9.00
Egypt	E£5.00	Kuwait	Fils 500	Singapore	S$4.10
Finland	FM16	Lebanon	L£1,000	Spain	Pta175
France	FFr8.00	Lux	LFr60	Sweden	SKr13
Germany	DM3.20	Morocco	MDh16	Switz	SFr2.70
Greece	Dr300	Neth	Fl 3.50	Thailand	Bht50
Hungary	Ft145	Nigeria	Naira75	Tunisia	Din0.800
Iceland	IKr190	Norway	NKr13.00	Turkey	L5000
India	Rs20	Oman	OR1.20	UAE	Dh9.00

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D 8523A

US TELEVISION

Networks fight a rearguard battle

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World News

19 countries agree Cambodia peace accord

An agreement formally ending 13 years of civil war in Cambodia, was signed by 19 governments in Paris. It paves the way for the largest peacekeeping administration undertaken by the United Nations.

US secretary of state James Baker said he expected talks to improve relations between the US and Vietnam to begin within a month. Page 18 ; US ready to start talks, Page 4

Honecker move 'likely'

Extradition from Moscow of former East German leader Erich Honecker was just a matter of time, Tass, the Soviet news agency, reported after German Justice Minister Klaus Kinkel held talks with officials of the Russian and Soviet governments.

Plea for prime minister

Zaire's state radio urged President Mobutu Sese Seko to appoint a general as prime minister. The appeal followed more looting in Lubumbashi, capital of Shaba province, which was devastated by army-led pillaging on Monday and Tuesday. Page 4

Turner meets daughter

Former US hostage Jesse Turner, recovering at Wies-Baden in Germany after nearly five years in captivity in Lebanon, was reunited with his wife and introduced for the first time to his four-year-old daughter Joanne.

Death probe to reopen

A Chilean appeal court has ordered a judge to reopen his investigation into the death of Jonathan Moyle, a British journalist found hanged in a hotel closet last year amid speculation that he had information on sales of military technology to Iraq. Page 6

Kenyan lawyers fined

Hundreds of pro-democracy supporters marched through Nairobi after the Kenyan high court fined seven dissident lawyers for making political statements. The Law Society has called on President Daniel arap Moi to introduce more democracy to the country.

Soweto gang kills nine

At least nine South African blacks were killed and 36 injured when a gang rampaged through a rush hour commuter train in Soweto. It was the second such attack in a week.

Companies by mail

The Treuhand, east German privatisation agency, has launched an international direct mail campaign in an attempt to sell 110 clothing companies and 40-50 machine-tool manufacturers to non-German investors. Page 18

Ukraine weapons denial

The Ukraine rebuffed accusations that it wanted to take control of the nuclear arsenal on its territory. It said it wanted to share control with Russian president Boris Yeltsin. Page 3

Attack threatened

Yugoslav federal army leaders threatened a "decisive counter-attack" on the outskirts of Dubrovnik after failing to crush Croatian resistance. Page 3

S Africa in World Cup

The International Cricket Council has given South Africa permission to play in the World Cup next year.

David's toe restored

Art restorers in Florence glued back the toe of Michelangelo's statue of David, damaged in a hammer attack last month by a self-confessed failed artist.

Hard cheese

France is determined to amend EC proposals for strict bacteria controls on cheese which could lead to a ban on camembert and roquefort, which are made from untreated milk.

Business Summary

Japanese securities houses hit by scandals

Japan's leading securities houses blamed the spate of financial scandals and continued weakness in the Tokyo stock and bond markets for sharp falls in revenue that left 10 of the 14 largest brokers with pre-tax losses for the first half to the end of September.

Nine of the second-tier brokerages also announced losses for the same period. Page 21

ALUMINIUM Company of America (Alcoa), the world's largest aluminium producer, plans to strengthen its position in motor components manufacturing by building a plant in Germany to make car spaceframes and components. Page 19

COMPAQ Computer, the US computer maker, will consolidate its operations worldwide, shedding 1,440 jobs, or 12 per cent of its workforce, in response to continuing "very soft conditions" throughout the personal computer market. Page 19

NEWS Corporation, Rupert Murdoch's media group, announced plans to raise A$682m ($536.9m) by floating most of its Australian commercial printing and magazine operations. Page 19

STENA Line, the Swedish ferry operator, is seeking to borrow a further $68.8m to meet its debt charges as the company faces a growing liquidity crisis with Sealink, its British subsidiary. Page 19

J. KOHLE, German jewellery manufacturer, has launched a legal challenge to the centuries-old British assay laws, which are designed to guarantee the quality of precious metals. Page 18

MTU, German aero-engine manufacturer, is joining the $342m Anglo-French programme to build engines for the new European NH90 military transport helicopter and the Royal Navy's EH101 Merlin anti-submarine helicopter. Page 5

SEARS, Roebuck, US retail-to-financial services group, reported third-quarter earnings of $150.3m after tax, compared with $179.2m in the same period a year earlier. Page 22

ITT, US conglomerate, blamed the recession for a 16 per cent drop in third quarter earnings to $187m, compared with $224m in the same period of 1990. Page 22

RJR Nabisco, the tobacco and food group taken private in a record $25bn leveraged buy-out two years ago, reported a third-quarter after tax profit of $123m, compared with a deficit of $86m a year earlier. Page 22

HONG Kong magnate Li Ka-Shing further expanded his interests in North America by taking full control of Husky Oil, one of Canada's largest independent oil, gas and sulphur producers. Page 22

GATT: Finland, Iceland, Norway and Sweden warned that they would reject any package of results from the Uruguay Round trade talks that did not reform and strengthen the rules of the General Agreement on Tariffs and Trade. Page 5

WHIRLPOOL, world's largest maker of big domestic appliances, reported a fall in third-quarter after tax profits from $60m to $48m but attributed it to an extraordinary gain in the 1990 figures. Page 22

ELSEVIER, international publishing group based in the Netherlands, bought The Lancet, one of the world's most famous medical journals. Page 10

GENERAL Electric Company of the UK launched a joint bid with Thomson-CSF, the French state-owned defence electronics group, to supply British military forces with a new generation of battlefield mobile communications. Page 10

Major heads for political union row

By Quentin Peel in Bonn and David Marsh and Philip Stephens in London

MR John Major, the British prime minister, is expected to come under intense pressure from German chancellor Helmut Kohl to make concessions on European political union, when the two meet in Bonn for talks on Friday of next week.

Germany is showing growing irritation with British resistance to a far-reaching agreement at the European Community summit in Maastricht in December.

A senior German official yesterday warned of "disastrous" consequences for the EC if agreement on a political and economic union treaty is not reached at the meeting.

"What is really behind the failure to make more progress (on political union) is the British problem. It is not as bad as it was, but because of the election (in Britain) the tone has changed but the substance has changed very little," said a German diplomat involved in the negotiations.

The Bonn talks come at an acutely sensitive time in the political and monetary union negotiations.

In London, senior British officials acknowledged that the UK and German governments remained sharply divided on the shape of the treaty on political union due to be signed in Maastricht.

However, they dismissed any suggestion that the talks between the two leaders would be acrimonious, stressing the strong personal relationship which Mr Major has established with Mr Kohl over the past year.

Britain is seen in Bonn as by far the most important obstacle standing in the way of Mr Kohl's hopes for a substantial treaty on political union, including strong reinforcement of EC foreign and security policy, and extension of the powers of the European parliament.

The British prime minister is therefore likely to come under intense pressure from his German counterpart to make greater compromises on key issues such as allowing majority decision-making on the implementation of some foreign policy issues, and granting the European parliament wider powers over decisions by the 12 member states.

German officials have been warning against the danger of Britain being isolated by its 11 Community partners on most of the key issues of political union, in addition to getting special treatment in the treaty on monetary union. The alternative, they fear, is a deal so watered down as not to be acceptable to the German Bundestag.

A senior German official said that Mr Kohl would be trying to make use of his good personal relationship with Mr Major to convince Britain of the need for a deal. "I would be surprised if Kohl boxes Major into a corner. But I would also be surprised if he does not tell Major that he must do more," the official said.

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Truckers find Alpine accord a bit steep, Page 2
Editorial Comment: Germany on the defensive, Page 18
German challenge to UK precious metals law; Delors says Efta deal will lead to larger EC, Page 18

Support for Bush second term eroded by weakness of economy

By Lionel Barber in Washington

THE WEAKNESS of the US economy and a sharp loss of public confidence in an early recovery have started to erode support for President George Bush's re-election next year.

For the first time since Mr Bush took office in 1989, support for his re-election has fallen below 50 per cent, according to an ABC/Washington Post poll released yesterday.

Fresh evidence of the sluggish recovery appeared yesterday in a Federal Reserve's Beige Book, a study of the regional US economies, with most areas reporting little improvement in retail sales and some setbacks in industrial output.

Mr Marlin Fitzwater, White House press secretary, acknowledged that the administration remained concerned about the slow pace of the recovery, but shrugged off the poll on Mr Bush's re-election prospects. "Polls go up and polls go down," he said.

The public indifference masks a growing official unease about Mr Bush's weak economic growth record as he prepares for the November 1992 election. The President, so sure on foreign policy issues, has appeared testy and tentative in the face of conflicting advice from his advisers on whether to support a "growth package" to stimulate the economy.

Mr Nicholas Brady, Treasury Secretary, is said to be urging the President to sit tight and avoid endorsing a package of tax cuts which could breach last year's budget deficit reduction agreement and upset the financial markets. Mr Jack Kemp, Housing Secretary, supported by conservative Republicans in the House and Senate, is urging Mr Bush to take a more radical approach centred around a cut in the capital gains tax.

A third group – said to include Mr John Sununu, White House chief of staff, and Mr Richard Darman, budget director – is taking a middle-of-the-road approach.

Mr Bush continues to enjoy personal popularity, according to yesterday's poll, but only 47 per cent said they would vote for him if the 1992 election were held today – a fall of 20 per cent since the Gulf war.

Fed's Beige book, Page 6; Lex, Page 18

UK administrator acts against head of failed Polly Peck group

Nadir's global assets frozen in search for £1bn

By David Barchard and Richard Donkin in London and John Murray Brown in Ankara

Lydia van der Meer

Freezing assets: Christopher Morris of Touche Ross, the administrator pursuing the Polly Peck millions

WRITS seeking to recover more than £1bn ($1.7bn) have been issued in London against Mr Asil Nadir, the chairman of Polly Peck International, and other banks and individuals by the failed company's administrators.

The civil action, thought to be one of the largest in UK corporate history, also includes injunctions issued to freeze Nadir assets among more than 100 companies and individuals in the UK, Switzerland, France, Turkey, Isle of Man, Cayman Islands and Jersey.

The total amount claimed in the writs is £1.07bn, but Mr Christopher Morris of Touche Ross, the administrator who is leading the action, said yesterday the administrators were in practice pursuing an amount of more than £500m.

Among those named in the writs are Mrs Safiye Nadir, Mr Nadir's mother, and the Central Bank of the Turkish Republic of Northern Cyprus, as well as Mr Menteş Aziz, a Turkish Cypriot lawyer who controls several of Mr Nadir's businesses on the island.

The action seeks to reclaim £378m from Mr Nadir and £73m from his mother, as well as £439.33m in funds transferred from Polly Peck in London to Unipac, its Famagusta-based fruit packaging company. Polly Peck, a fruit and electronics group, collapsed a year ago with debts of over £1.15bn.

The court order freezes the reserves of the Turkish Cypriot Central Bank held in the UK from which £39m is being sought. Last night Mr Derviş Eroğlu, the Turkish Cypriot prime minister, confirmed that the majority of the reserves of the Turkish Cypriots are held in London.

The judge authorised the injunctions to be issued on terms which froze the assets without their holders being told who else was involved in the case.

"This is an extraordinarily serious mistake," Mr Eroğlu said. "We co-operated fully with the administrators and now they have done this. We shall apply to the court to have the freezing order removed at the first opportunity."

The administrators' action is the latest of several court cases in which Mr Nadir is involved. On Tuesday he was charged in London with the theft of £130m in a separate case being brought by the Serious Fraud Office. He has been facing other charges, also from the SFO, totalling £25m since his arrest in December last year.

Mr Nadir, who denies all charges against him, issued a statement saying the administrators' action was beyond belief and pledging to fight the proceedings strenuously.

"It is to be regretted that the administrators have chosen to launch these misguided proceedings which will produce no benefit to PPI, its creditors, and its shareholders and will serve only to divert essential resources to speculative litigation," Mr Nadir said.

The writs allege fraud by Mr Nadir and that he used company funds for illegal share buying. Mrs Nadir is accused of wrongfully receiving Polly Peck funds and of assisting in her son's dishonest designs.

Mr Nadir's lawyer, Mr Menteş Aziz, said yesterday: "One day you think you're working for the administrators. The next day you find yourself in a litigation suit with them. Am I the prophet Mohammed? Should I just take the slap in the face? Naturally I shall defend myself. All I have is a carob tree in the village. They can have it. And my trousers and shoes."

The action seeks damages against him for conspiracy to defraud Polly Peck and covers a claim for £1,915,000 for helping in breaches of fiduciary duty by Mr Nadir and for wrongfully receiving Polly Peck funds.

It became clear last night that Mr Morris had moved without the full approval of his fellow administrators.

Mr Michael Jordan, of Coopers & Lybrand Deloitte, one of the three administrators, said: "The recent court order will further delay us in obtaining control of Polly Peck's assets in Northern Cyprus."

The six companies and individuals named in the writs with Mr Nadir are his mother, Mr Aziz, the Central Bank of the Turkish Republic of Northern Cyprus, Kibris Endustrisi Bankasi (Industry Bank of Cyprus), Impexbank of Turkey and Unipac.

Contractors say Channel tunnel cash is running out

By William Dawkins in Paris and Andrew Taylor in London

CONTRACTORS building the Channel tunnel said yesterday that they would not use their own money to allow construction to continue on the project, which is facing a cash flow crisis.

Mr Jean-Paul Parayre, chairman of Dumez, one of five French and five British construction companies contracted to design and build the tunnel, said that the cash reserves currently were "slightly positive" but were due to run out in the next few weeks.

He warned: "I have never seen a car run without petrol and for us, petrol is money."

The cash flow crisis has been caused by a dispute between the contractors and Eurotunnel, the Anglo-French company which will operate the completed project, over who is financially responsible for the huge rise in costs. Since 1987, they have increased from £4.8bn to £8.05bn ($13.7bn).

Eurotunnel has refused to sanction any increase in payments to the contractors unless they substantiate their claims in full.

Transmanche Link (TML), the consortium building the project, says it has provided Eurotunnel with full details of its claims but cannot present a bill until work is completed and the full cost assessed.

The five French and five British companies which comprise TML say they are not prepared to finance increases in the project's cost – for which it blames Eurotunnel – while the issue is sorted out.

Mr Parayre, speaking in Paris, said: "We are determined to see Eurotunnel take responsibility for their extra costs. The contractors will not finance the project."

He accused Eurotunnel of trying to get the contractors to pay for the rise in its own costs, so as to avoid making another call on its banks and shareholders.

He said time was running out for an amicable solution. Contractors could no longer guarantee that the tunnel would open on schedule, in June 1993.

TML has threatened to halt work on parts of the project which it claims were not in the original design and where there is no agreement with Eurotunnel on how much they should cost. Eurotunnel last week sought an injunction to prevent the contractors from carrying out their threat. The court hearing is expected to resume next week.

TML claims that Eurotunnel, by changing the design and specification of key elements of the project, is responsible for much of the rise in costs.

This was strongly denied last night by Sir Alastair Morton, Eurotunnel's chief executive. He said: "We must look after the interests of Eurotunnel shareholders and it would not be correct to pay out on claims until they have been fully substantiated."

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CONTENTS

US regulator takes on the world's telecom moguls

Alfred Sikes, chairman of the Federal Communications Commission has become the scourge of the international telecom cartel with his relentless campaign to drive down prices
Page 5

MARKETS

STERLING
New York lunchtime:
$1.7035
London:
$1.7055 (1.7145)
DM2.9075 (2.905)
FFr9.9175 (9.915)
SFr2.54 (2.5375)
Y224.5 (224.75)
£ index 90.3 (same)

GOLD
New York: Comex Dec
$364.3 (366)
London:
$362.45 (363)

N SEA OIL (Argus)
Brent 15-day Dec
$22.05 (22.4)

Chief price changes yesterday: Page 19

DOLLAR
New York lunchtime:
DM1.709
FFr5.8265
SFr1.494
Y 131.55
London:
DM1.7045 (1.6945)
FFr5.815 (5.7825)
SFr1.4895 (1.48)
Y131.6 (131.15)
$ index 65.0 (64.8)
Tokyo close:131.45

US lunchtime rates
Fed Funds $5\frac{1}{8}$%
3-mo Treasury Bills:
yield: 5.18%
Long Bond:
$100\frac{1}{2}$
yield: 8.073%

STOCK INDICES
FT-SE 100:
2,561.1 (+1.6)
FT-SE Eurotrack 100:
1,100.82 (+3.5)
FT-A All-Share:
1,235.4 (same)
New York lunchtime:
DJ Ind. Av.
3,043.16 (+3.36)
S&P Comp
388.32 (+0.49)
Tokyo: Nikkei
24,799.94 (−154.72)

LONDON MONEY
3-month Interbank:
$10\frac{1}{2}$% ($10\frac{13}{32}$%)
Liffe long gilt future:
$94\frac{5}{16}$ ($94\frac{3}{32}$)

Role sought for Strasbourg in Emu decisions

By David Buchan in Strasbourg

BELGIUM has proposed that the European Parliament should be given a say in key decisions on monetary union as a means of control over Europe's financial bureaucracy.

Raising the fear that present plans will leave too much discretionary power in economic and monetary union (Emu) to the European central bank (ECB) and to finance ministry officials of the Twelve, Belgium suggests that the assent of the Strasbourg parliament should be required for any modification of ECB statutes, as well as for the key decision to set up a single currency.

This is the first time the issue of democratic control has been seriously raised in the Emu, as distinct from the parallel political union negotiation.

The Belgian plan appeared to win backing from Mr Wim Kok, the Dutch finance minister, who is due next week to present the EC presidency's final draft on Emu.

"I will do what I can to ensure Parliament has the requisite powers," he told MEPs in a debate on Emu. He admitted, however, that there was little consensus among the Twelve on this.

Germany's general enthusiasm for the parliament is tempered by its desire to protect the ECB from political pressure.

On the issue of transitional arrangements for Emu, Mr Kok admitted: "The fact that all states will not be ready to participate in the final Emu stage at the same time creates tension, because the principle is that we are all in the same boat together."

But he warned that countries which were not economically ready to take part in Emu, "or those [like Britain] which are not prepared to cede sovereignty", could not expect a full vote in the ECB.

In vaguer terms, Mr Jacques Delors, the Commission president, said in the same debate yesterday, that he thought all 12 states should be "represented" in the ECB.

France's trade gap narrows to FFr3.4bn

By William Dawkins in Paris

FRANCE'S trade gap, the government's most worrying economic problem after unemployment, narrowed last month. It fell from a revised FFr4.11bn ($710m) in August to a provisional FFr3.37bn, according to figures published by the customs directorate yesterday.

This reflects a faster rise in exports than in imports and brings the deficit for the first nine months of 1991 to a seasonally adjusted FFr33.64bn, marginally down on the FFr33.84bn recorded in the same period last year.

Last month's deficit in industrial trade fell to FFr3.49bn, from FFr3.82bn in August, while the surplus on agricultural trade also fell, from FFr1.37bn to FFr597m.

The second piece of encouraging news yesterday was a settlement in civil service pay talks which averts the risk of wider industrial action.

Agreement was reached late the previous night between Mr Jean Pierre Soisson, the civil service minister, and the main unions representing public service workers.

They compromised on a 6.5 per cent rise spread over the next 16 months. Originally, the government was offering just over 6 per cent, while the unions wanted 7.5 per cent. The deal will benefit 4.5m government workers and 1.5m pensioners.

Ruling casts shadow over aid to Italian state group

THE ITALIAN government may have to rethink its entire system of aid to the country's principal state holding group, IRI, as a result of a supreme court ruling, writes **Robert Graham** in Rome.

Mr Franco Nobili, IRI's president, will make this clear when he addresses the parliamentary commission responsible for state holdings.

The court decision, announced on October 17, blocks L10,000bn ($7.9bn) in loans and bond issues which Mr Giulio Andreotti's government authorised IRI, ENI and Efim, the three main state holding companies, to raise this year. IRI was to raise L8,200bn of this and is now the worst affected.

IRI has accumulated debts of L55,000bn, and much of its proposed new borrowings were intended to cover socio-economic investments in the south. The court's decision has also thrown a cloud over L3,000bn already used by IRI for the loss-making steel sector.

The problems stem from a law introduced in February. This authorised IRI, ENI, the state oil concern, and Efim, which controls a long list of industrial companies, to borrow and issue bonds to the tune of L10,000bn. The government agreed in this law to cover up to 4 per cent of annual interest and guarantee the loans.

This was a significant help given the financial plight of IRI and Efim, which last year lost L181bn and L365bn respectively. The government regarded the law as an important advance, lessening direct financial assistance and making the state holdings more accountable.

The public audit office challenged this facility as unconstitutional and succeeded in blocking it in May. Last week the supreme court upheld the public audit office's position.

The court ruled that, since government financial planning was based on a three-year programme, it was unconstitutional to create obligations for future governments beyond this period. In the case of the three groups, the government had authorised them to borrow for up to 12 years and the cost of covering 4 per cent of interest payments would have risen in the fourth year.

At first, ministers believed it would be sufficient to issue a new law which skirted these objections. However, government lawyers now realise it will not be so simple.

Equally, with a budget deficit equivalent to 10.5 per cent of gross domestic product, the government has little room for manoeuvre transferring funds from other sources. Any such move also risks running foul of the European Commission which has become vigilant in scrutinising the whole issue of Italian state aid and subsidies, especially to debt-ridden state companies.

Those favouring privatisation, such as Mr Guido Carli, treasury minister, say this increases the pressure for selling state assets. Efim, for instance, has debt close to L7,000bn with a turnover of only L5,000bn. But despite the 1992 budget's commitment to speed privatisation the government is divided on how best to proceed.

Truckers find Alpine accord a bit steep

EC-Efta agreement has done little to clear way for lorries, writes **Richard Tomkins**

SELDOM IS the conflict between motor vehicles and the environment more clearly highlighted than in the picturesque villages of the Austrian and Swiss Alps.

Each day, thousands of heavy goods vehicles thunder through the Alpine valleys along the autobahns connecting northern EC nations with Italy and Greece in the south.

The Austrians and Swiss do not benefit from the traffic. They are not EC members, and the goods that pass are not made for or by their citizens. Instead, it is their unhappy fate to live on the vital transit routes linking EC nations through the otherwise impenetrable barrier of the Alps.

So deeply is this conflict felt by the people of Austria and Switzerland that it came close to threatening the treaty thrashed out between the 12 EC members and the seven-nation European Free Trade Association this week. Even now, resolution of the conflict remains a long way off.

It is hard not to sympathise with the alpine villagers. The concrete bridges that carry the autobahns are ugly and the noise of the heavy traffic reverberates along the narrow valleys.

Worse, environmentalists fear that vehicle emissions are killing the trees. In the Alps, these are more than just a picture postcard backdrop: they protect the villages against avalanches and landslides.

Responding to domestic political pressures, Austria and Switzerland operate tough restrictions on the transit of heavy goods vehicles. Switzerland effectively bans HGV transit traffic by operating a 28-tonne weight limit, while Austria limits traffic with a quota system, charges heavy tolls, and forbids night driving.

Italian truck-drivers return to their trailers, which they left blocking an Austrian border crossing near Innsbruck over the weekend while driving home in their cabs.

The EC has long been infuriated by these obstacles to the free flow of trade between its northern and southern members. Latterly, it had hoped Austria's and Switzerland's position as members of Efta would enable it to use the negotiations over the European economic area treaty as a lever to secure relaxations.

Indeed, Tuesday's treaty has resulted in concessions, but they fall far short of what transport operators regard as acceptable, or even workable.

Switzerland appears to have yielded the least. The 28-tonne limit remains: the only exception is for 50 lorries a day of up to 38 tonnes. These must be less than two years old, they must be carrying perishable goods or "just-in-time" components for manufacturers, and they are only allowed through if rail transport capacity is full.

Mr Dave Green, controller of international affairs at Britain's Freight Transport Association, says: "The chances of all these conditions being fulfilled is, quite frankly, remote."

By far the greater burden will therefore continue to fall on Austria. Here, an extremely complex system of quotas has been worked out based on "eco-points", allowing more vehicles through if only if they pollute the atmosphere less.

In essence, this year's total vehicle quota will be lifted by 4 per cent for 1992. Then, the nitrogen oxide output of the 1992 quota will be calculated, and from that year onwards, the maximum nitrogen oxide output of the lorry transit traffic will be reduced by 5 per cent a year. It follows that more vehicles will only be allowed through if their total nitrogen oxide emissions fall by more than 5 per cent a year.

Road transport operators are aghast at the complexity of the scheme. Who, they ask, is going to test each lorry to establish its nitrogen oxide emission? Is every vehicle going to be tested at the border? How will the quotas be allocated between countries, and how will countries allocate them to operators? What happens if the quotas are all used up part-way during the year?

Mr Winfried Rockmann, the International Road Transport Union's permanent delegate to the EC, says: "I just can't see how they are going to transform what has been agreed into an operational management system that will work from 1992 onwards."

The Freight Transport Association's Mr Green argues that Austria's position on the issue is particularly difficult to defend since, unlike Switzerland, it is applying to join the EC.

"What they are doing is introducing a very bureaucratic and heavily controlled regime when the whole point of the EC is to promote the free movement of goods," he says.

Austria and Switzerland respond to such arguments by pointing to the political realities. It would serve no purpose to throw open up their roads to all traffic, they point out, when they would swiftly be closed by environmentalists' and villagers' blockades.

Longer term, Austria and Switzerland are pinning their hopes on the scope for rail to relieve the burden. Switzerland defends its stance on lorry traffic by pointing to its planned expenditure of SFr14bn (£5.5bn) on two Alpine rail tunnels – the 49km Gotthard base tunnel due to open in 2015 and the 29km Lötschberg tunnel due to open at the turn of the century.

But that is a long time to wait. In the meantime, lorry operators are hoping that the sheer impossibility of translating the Luxembourg agreement into practice will lead to a loosening of the regime.

'W German aid to east to cost 6% of GNP'

WEST German financial aid for the east next year will cost at least DM170bn ($99.4bn), equivalent to 6.25 per cent of the former federal republic's gross national product, and DM20bn more than this year, according to IDW, one of Germany's leading independent economic institutes, Christopher Parkes writes from Bonn.

Since there is no possibility of increasing the taxation burden on already-complaining westerners, the institute said, "there is no alternative but massive spending cuts."

The IDW report follows a grim study, published this week by five other institutes, which warned of grave consequences for the whole economy if government spending and wages were not reined in sharply.

More than two-thirds of the transfers, amounting to almost DM12,000 for every man, woman and child in the east, and DM1,200 more than this year's bill, was needed for social policy measures, with the rest going to support investment, it said.

The institute suggested that the amount to be spent on investment was inadequate, given the urgent need to modernise eastern manufacturing capacity and rebuild the entire infrastructure.

The federal exchequer will be responsible for providing DM112bn of the total, with the other western states sharing the burden of the balance.

EUROPEAN NEWS

Thyssen in talks with Krupp on rationalising

By Christopher Parkes in Bonn and Charles Leadbeater in London

FURTHER structural change in the German steel industry was signalled yesterday when Thyssen Stahl said it was negotiating with competitor Krupp with the aim of rationalising their interests in special steels.

Mr Heinz Kriwet, chairman of Thyssen Stahl, said talks had been going on for several weeks and a solution was expected by the end of the year.

But Mr Kriwet stressed that talks on a merger of any part of the two companies' steel businesses were not on the agenda.

"Thyssen is not seeking any merger for its steel business. What others do is their affair," Mr Kriwet said in a reference to Krupp's recent secretly-acquired 25 per cent stake in fellow steel maker Hoesch.

Krupp's move has unleashed an angry debate over its intentions towards Hoesch, which plans a "friendly partnership".

Rationalisation of the German steel industry, which is dominated by Thyssen, Krupp, Hoesch and Mannesmann, and which accounts for a third of western European output, is seen by many in the industry as a prerequisite to a wider restructuring within the European industry.

The talks are indicative of the pressures engineering steel makers are under throughout Europe. Already this year, Ovako, the Swedish producer, and Acinor in Spain have announced plans for rationalisation.

Thyssen is one of Europe's largest engineering steel producers with about 1.1m tonnes a year from Thyssen Stahl, its main steel subsidiary, and Thyssen Edelstahl, its special steel division.

Although Krupp's special steel production is about half the size it is regarded as one of the most technically advanced producers in Europe. The Thyssen Edelstahl special steels division has been badly hit by the current downturn, the company said yesterday.

Most of the Thyssen group's 1990 fall in profits, from DM825m (£284m) to DM690m, was attributed to troubles at Edelstahl, where sales in the first quarter of the current year fall a further 14 per cent.

While European Community steel output fell 2 per cent in the first half of this year, production in Germany, pushed along by the construction boom, rose 4 per cent, according to the German industry association.

Ozal accepts his rule is at an end

By John Murray Brown in Ankara

TURKEY'S President Turgut Ozal, whose Motherland Party (Anap) was defeated in Sunday's general elections, yesterday played down the threat of a constitutional crisis by conceding his rule was at an end and that the new government should take over running the country.

"Whoever won the election, it's his turn to do something. My moral responsibility is over," Mr Ozal said.

Mr Suleyman Demirel's True Path party (DYP) emerged with the largest number of seats but not enough for an outright majority. Mr Demirel now has 45 days to form a coalition.

The DYP leader earlier pledged to remove the President by changing the constitution. After dominating Turkish politics for eight years, Mr Ozal was increasingly criticised for overreaching his powers. He used the Anap majority in parliament to have himself elected president in 1989, a vote which was boycotted by the opposition.

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Republic insists it is only seeking dual control of nuclear arsenal on its territory

Ukraine denies it wants to take over N-arms

By John Lloyd in Moscow and Chrystia Freeland in Kiev

THE UKRAINE hastened yesterday to rebuff accusations that it wanted to take control of the nuclear arsenal on its territory.

Mr Volodymyr Hryniov, deputy speaker of the Ukrainian parliament, said his government wanted to share, not pre-empt, control of the strategic and tactical nuclear weapons. He was contradicting a report put out on Monday by the Soviet official news agency, Tass, that the Ukrainian authorities were asserting their full authority over the weapons.

Restating a position first put by Mr Leonid Kravchuk, the Ukrainian prime minister, early this month, Mr Hryniov said the republic did not want full control of the missiles, but wanted its own key to a dual key system – with the assumption that the other key would be held by Mr Boris Yeltsin, the Russian president.

The Ukraine is expected soon to demand the dismantling of all its nuclear weapons under the supervision of the United Nations. It also expects that the nuclear installations will shortly be guarded by members of its own armed forces, which it is presently forming.

The first reading of the bill to create a Ukrainian army was passed in the parliament early yesterday by a large majority.

The bill will establish a military force – including an army, an air force and a navy (based in the Black Sea) with a combined strength of 450,000.

Commenting afterwards on demands from President Mikhail Gorbachev and Marshal Yevgeny Shaposhnikov, the defence minister, that Ukraine remain part of the Soviet army, Mr Hryniov said that "Gorbachev and Shaposhnikov should realise we are building a country".

The government has already called on all Ukrainian-born officers in the Soviet military forces (reckoned to account for 40 per cent of the total officer strength) to return for duty in the Ukrainian army.

At the same time, it expects that the non-Ukrainian troops serving in military detachments in the Ukraine will be gone in two years' time.

The determination of the Ukraine to establish a full-sized military force for a country of over 50m people is causing concern, as yet muted, in and beyond the Soviet Union.

General Vladimir Lobov, chief of the general staff, said yesterday in an interview with Krasnaya Zvezda, the military newspaper, that all nuclear weapons should now be concentrated in the Russian republic as "the most populous republic with the highest economic and strategic potential".

The US government enthusiastically supports nuclear centralisation. Administration officials were yesterday quoted in the Los Angeles Times newspaper as saying that the US was ready to suspend or delay political recognition to those states attempting to establish control over nuclear weapons on their territories.

Next week, British diplomats are to add their voices to the US pressure in meetings in Kiev, the Ukrainian capital, with the republic's leaders.

Western officials, however, are maintaining an optimistic posture in face of the threat of nuclear and military decentralisation.

They point out that, so far, the nuclear and conventional arms treaties are being honoured, that the Soviet constitution does not permit separate armed forces, and that even if these did emerge, the republics which formed them would be anxious for aid and support and would not wish to antagonise the western powers.

"The Ukrainians have an interest in being seen as grown up members of the international community – and they want more from us than we do from them. Nato states must make this clear to them," said one senior official.

For the moment, the Soviet foreign and defence ministries maintained control of strategic and arms control issues. And even if 15 states did emerge where one existed before, this was seen as "not necessarily unwelcome".

In the longer term, however, the agenda of arms control will inevitably be complicated by the loss of a coherent centre, especially one which has been, in recent years, so accommodating on arms cuts.

Western experts see in some of Mr Gorbachev's recent proposals for further deep cuts, especially in tactical nuclear weapons, possibilities of moving gradually to minimal deterrence.

However, the Soviet proposal to cease nuclear testing is presently unacceptable, and the assymetry of the core nuclear forces, with the Soviet strategic weapons largely land-based and the Nato equivalents largely on submarines, is also seen as a large issue still to be solved.

A soldier stands guard by a tactical nuclear missile in the Ukraine's Carpathian military district

Kiev draws line over new Soviet debt

THE Ukrainian government announced yesterday that it would not take responsibility for new debts assumed by the Soviet Union with immediate effect, and would speed up plans to take control of its own foreign economic transactions, writes Chrystia Freeland in Kiev.

The measure may make the west more wary of granting fresh credits to the central Soviet government and is another sign that the USSR's central financial system is disintegrating.

Mr Ivan Plinshch, deputy chairman of the Ukrainian parliament, said that the Foreign Trade Bank in Moscow had ordered its Kiev branch to send an unspecified portion of its hard currency to Moscow. Ukrainian officials say that the Kiev branch has approximately 400m convertible roubles on its books.

According to Mr Plinshch, the Foreign Economic Affairs Bank also threatened to declare all operations of its Kiev branch invalid if the Ukraine went forward with plans to nationalise the bank and make it independent.

The Ukraine insisted the Soviet Union did not have the authority to represent it in international organisations such as the International Monetary Fund and the World Bank. It plans to send its own delegation to meet G7 representatives when they visit Moscow at the weekend.

Shortage of sugar sparks riot in Moscow

RIOTS over sugar shortages have broken out in Moscow, and officials said disturbances could multiply this winter as republics cut off supplies to the central government, Reuter reports from Moscow.

Rioters broke into a bakery at the weekend. Police were called, but officials eventually came with 10 sacks of sugar to calm the crowd, a witness said.

The shortage in Moscow was caused in part because the Ukraine and Moldova, asserting their autonomy, have restricted supplies to Russia.

Republics which provide sugar to Russia have sent on average only 43 per cent of their former quotas, said Ms Nina Shinkaryova, head of the food department at the Russian Federation Statistics Committee.

Mr Nikolai Negreyev, deputy director of Moscow's Sugar Wholesale Department, said Ukraine had delivered only about 40,000 tonnes of sugar this month instead of the 140,000 promised.

Now the city could provide only 400 tonnes of sugar a day to bakeries – far short of the daily demand of 1,000 tonnes for 9m people.

In Moscow, long queues wait outside bakeries for sugar – rationed at 1.5kg a month.

Newspaper headlines this week have been devoted to the shortage. "What is more precious, sugar or gold?" read one.

The author of the article detailed her own journey through Moscow bakeries in search of what Russians call "white dust".

"People are refusing to leave bakeries after closing hours. They are fighting with police, trying to break into shops," wrote Yevgeniya Sakharova.

Federal army threat of fresh attack on besieged Dubrovnik

By Laura Silber in Belgrade

FEDERAL army leaders yesterday threatened a "decisive counter-attack" on the outskirts of Dubrovnik, the historic Adriatic resort, after failing to crush Croatian resistance in the region.

As the army and navy continued to pound Dubrovnik, Colonel Miroslav Telebak, a federal commander in southern Croatia, said the offensive would be aimed at "finally annihilating the stronghold of Croatian forces" in towns around the city.

The fresh onslaught was announced after army units were forced to retreat from Kupari, three miles south of the centre of Dubrovnik. On Tuesday, General Veljko Kadijevic, the federal defence minister, said he would call up more reservists against Croatia after a four-month conflict between the two republics in which more than 1,000 people have been killed.

The army has denied that any of Dubrovnik's Venetian Gothic buildings have been damaged. But a western diplomat said it was becoming increasingly unlikely that Dubrovnik would escape destruction.

Croatian radio said one civilian was killed when federal gunboats shelled Lapad, a small island, and Babin Kuk, a resort area three miles north of Dubrovnik's old city where several thousand people have sought refuge after fleeing from fighting elsewhere in Croatia.

Tanjug, the Yugoslav news agency based in Belgrade, the Serbian and federal capital, said the army attack followed "provocations" by Croat snipers firing from parks, tennis courts and gardens in Dubrovnik, which has been under a land and sea blockade for three weeks. Some 60,000 people are left in the city, with little or no water, electricity or communications.

Politika, a daily newspaper and mouthpiece for Serbia's ruling Socialists, called for more aggressive military tactics. "Federal forces could crush Croatia if they made a co-ordinated all-out attack," it said. Mr Miroslav Lazanski, Politika's defence commentator, criticised the inefficient use of army troops and said: "The digging in of tanks and static warfare has not brought anyone victory."

The army also launched a barrage of mortars and shells on the besieged Danube town of Vukovar, in north-east Croatia, and sporadic fighting broke out in several other towns in the rebel republic. Three people were reported killed.

Meanwhile, Serbian leaders from throughout the country met in Belgrade to discuss the creation of a "rump" Yugoslavia. Their plan envisages a federal state composed of Serbia, Montenegro, a close ally of Serbia, and the self-proclaimed Serbian autonomous regions of Croatia and Bosnia-Hercegovina. "The aim of the war is to secure the western frontiers of this country whatever it may be called," said General Tomislav Simovic, the defence minister of Serbia, in a letter to Mr Vuk Draskovic, an opposition leader.

Soviet confusion delays Europe's energy charter

By Andrew Hill in Brussels

IMPLEMENTATION of the European energy charter, which aims to exploit the Soviet Union's extensive natural resources, looks likely to be delayed by continuing confusion over who is responsible for Soviet energy policy.

The 35 participants in the charter conference ended their second full session of talks yesterday confident that a political agreement for pan-European co-operation on energy policy could be signed in December as planned.

But Mr Charles Rutten, the conference chairman, said signing of the basic legal agreement would probably have to wait until the first half of next year.

He hoped the economic importance of the charter would encourage the Soviet republics and the centre to agree a common policy, and to keep any transition period for implementation to a minimum.

Mr Vladimir Dgangirov, the Russian Federation's deputy minister for fuel and energy, said the eight republics which signed a treaty for economic union last Friday had agreed to set up a committee to co-ordinate energy policy. His delegation included representatives of the central government, Belorussia and the Ukraine, which did not sign the economic treaty.

● Guidelines for a three-phase move towards liberalisation of the EC energy market will be put to a meeting of Community energy ministers next Tuesday. European commissioners yesterday approved a softly-softly approach to the sensitive issue of introducing more competition into the energy sector.

The first phase – transit of gas and electricity across borders – is already in place. In the second phase, the Commission would begin a gradual break-up of public energy monopolies: large customers would be allowed to buy their energy from suppliers anywhere in the EC. The final phase would be full third party access to energy networks.

US ready to start talks on normalisation with Vietnam

By Lionel Barber in Washington

THE US is ready to start talks aimed at normalising relations with Vietnam as early as next month, Mr James Baker, US Secretary of State, said in Paris yesterday.

The announcement brings the US and Vietnam one step closer to ending a 16-year stand-off, though Mr Baker stressed the pace of normalisation depended on Hanoi's co-operation on US soldiers recorded as missing-in-action (MIAs) in the Vietnam war.

Mr Baker was speaking ahead of talks with Mr Nguyen Manh Cam, the Vietnamese foreign minister, who is also in Paris to sign a peace treaty ending the civil war in Cambodia and setting in motion a United Nations operation to arrange free elections.

The Bush administration has laid down a "road map" leading to eventual restoration of trade and diplomatic ties with Vietnam. This includes the withdrawal of all Vietnamese troops from Cambodia, Hanoi's support for a comprehensive peace settlement, and full co-operation on MIAs.

The Cambodian peace treaty removes a major obstacle, although the US will monitor closely how the peace accords work out before improving ties with Hanoi too quickly.

The MIA issue remains paramount, largely because of US public opinion and lingering bitterness over defeat in the Vietnam war. Some 55,000 US troops died in combat in Vietnam, and Washington lists some 2,300 servicemen missing in action or taken prisoner.

Hanoi is anxious to secure western aid for rebuilding its economy, particularly after the collapse of communism in the Soviet Union, its one-time patron. Vietnam has also approached China, its neighbour and one-time adversary.

The normalisation process between the US and Vietnam will take several years to complete and includes four stages: initial talks; a partial lifting of the US trade embargo; exchange of diplomatic missions and full lifting of the embargo and full relations. The moves toward normalising relations with Vietnam are also part of a broader reassement of US foreign policy toward South East Asia in response to the Soviet decline.

Kidnap group warns of more hostages

By Lara Marlowe in Beirut

A member of "Islamic Jihad", one of the secretive Lebanese kidnapping groups linked to Iran, has warned that hostage-taking could begin again if Israel and its militia allies continue to imprison people in south Lebanon.

In the first interview given by a member of the Islamic Jihad cell to western reporters, he said the release of four westerners since August could be attributed to the mediation of Mr Javier Pérez de Cuéllar, the UN Secretary General, Israel's willingness to release the Lebanese it holds, and the current "truce" in Lebanon.

The group and some of its hardline Iranian backers oppose freeing the western hostages so soon but other, more influential Iranian leaders, including President Ali Akbar Hashemi Rafsanjani, are anxious to close the hostage file.

Islamic Jihad, which has close connections with the Iranian-backed Hizbollah, holds Mr Terry Waite, Anglican church envoy, and Messrs Terry Anderson and Thomas Sutherland of the US,

Islamic Jihad cites central role of UN chief

"Taking innocent people is wrong. It is an evil. And it is a choice. But there is no other option because it is a reaction to a situation that has been imposed on us and it is one means of expressing our refusal (of Israeli occupation) and exerting pressure," said the Islamic Jihad member.

"It will be renewed if the reasons themselves are renewed. A partial solution will only solve the problem of the present detainees."

In an attempt to justify Islamic Jihad's abduction of westerners, he spoke at length of 'unjust western policies' in Lebanon and the Middle East, based solely on the security and "supremacy" of Lebanese Christians and above all Israel. He claimed 5,000 Lebanese have been imprisoned and tortured by Israel and its allies in southern Lebanon.

About 300 Lebanese are still held at al-Khiam prison and are expected to be exchanged for information about Israeli servicemen missing in Lebanon and the remaining seven western hostages in Lebanon.

Asked what he felt towards innocent westerners like Mr Anderson, the American journalist held by Islamic Jihad since March 1985, he said: "My feeling towards the mental pain of Terry Anderson is the same as my feeling towards Lebanese hostages in Khiam."

He spoke elliptically of the exchange process, confirming it was now "a defined subject" which would lead to a "final development".

"The question of the existing hostages, detainees, will come to an end."

Farouk Khaddoumi of the PLO (left) with Egyptian foreign minister Amr Moussa in Damascus

Arab states meet PLO in run-up to Madrid talks

By Our Middle East Staff

THE FOREIGN ministers of Syria, Egypt, Jordan and the Palestine Liberation Organisation yesterday met in Damascus to align their strategy before next week's Madrid Middle East peace talks, in a possible prelude to an Arab mini-summit before the conference.

The ministers offered no comment on two separate rounds of talks yesterday, but are believed to have discussed where bilateral peace talks between Israel and its neighbours should take place.

Syria is also seeking agreement among Arab participants at the conference that no country will conclude a separate peace deal with Israel.

Damascus is also urging that the question of Israeli settlements on the occupied West Bank be discussed at the conference opening and not deferred to the subsequent bilateral talks.

The Arab states, led by Syria, appear determined the talks should continue in Madrid, or in Europe, after the conference's ceremonial opening on October 30. Israel is insisting they should reconvene in the Middle East.

Israel has told the US it wants the bilateral negotiations to adjourn back to the region after just one initial session in Madrid.

The largely ceremonial three-day conference opening is due to be followed the next day by the start of three sets of negotiations between Israel and Syria, Israel and Lebanon and Israel and a joint Jordanian-Palestinian delegation.

Officials close to Mr Yitzhak Shamir, the Israeli prime minister, said he did not want these talks to carry on in Madrid beyond a single opening session. He wants them to continue at alternating sites in Israel and the respective countries of the negotiating partner.

Israel says this would symbolise their willingness to treat it as an equal partner with which they intended to make full peace agreements. To continue in Madrid as an extension of the full peace conference opening would suggest a multilateral forum, to which Israel has always been opposed, one official said.

The Israelis apparently realise their suggestion is bound to be rejected by the Arab side. But they at least want some shift of venue to split up the location of the three sets of talks.

North and South Korea agree to draw up accord

By John Ridding in Seoul

NORTH and South Korea have agreed to draw up an accord aimed at easing four decades of enmity across the highly militarised Korean border.

The announcement at high-level bilateral talks being held in Pyongyang marks the first progress in four rounds of talks between the prime ministers of the two Koreas. The talks, which started last year, are the highest level contacts between the two countries since the 1950-53 Korean war.

"It is significant and progressive that the two sides decided to produce a single agreement" said Mr Lee Dong Bok, the South Korean spokesman.

But western diplomats in Seoul cautioned that the conclusion of a joint declaration would be a protracted and difficult process. "There is plenty of scope for disagreement over what the accord will say," said one diplomat.

According to reports sent from Pyongyang by the South Korean media, the accord between the two countries will include a declaration of non-aggression, means of promoting economic and other exchanges between the two countries and measures to promote reconciliation on the divided peninsula.

A joint working-level committee was appointed to start work immediately and prepare a proposal for a fifth premiers meeting to be held in Seoul at an unannounced future date.

Previous attempts to reach an accord have foundered on North Korean demands for a withdrawal of US troops and nuclear weapons from South Korea and demands from Seoul that a broad agreement to improve relations be reached before the two sides sign a non-aggression declaration.

As expected, the subject of nuclear weapons prompted sharp disagreement in yesterday's talks.

South Korea demanded that Pyongyang allow inspection of its nuclear facilities which western experts believe will be capable of developing a nuclear device by the middle of the decade. North Korea countered with a demand for the removal of US nuclear weapons from the South.

Israel under pressure over nuclear policy

But the peace talks are unlikely to sweep away its web of secrecy, Hugh Carnegy writes

ASK any Israeli official about the country's nuclear capability and you get a stock response, formulated with studied ambiguity 30 years ago and adhered to ever since. "Israel will not be the first country to introduce nuclear weapons into the Middle East," they say.

Israel is not about to sweep away the web of secrecy with which it has swathed its nuclear programme. But the regional peace process due to get under way next week, combined with recent revelations about Iraq's clandestine nuclear programme, seems set to increase the pressure on the government to adopt a more open nuclear policy. This week, the issue was brought sharply into public view by publication of The Samson Option, a book by Mr Seymour Hersh, a US investigative reporter.

Among a raft of assertions about Israel's nuclear capability, the book says the country has 300 nuclear weapons and has three times gone on nuclear alert, twice during the 1973 Arab-Israeli war and once during the Gulf war this year. It says Israeli strategy in the 1970s was to make clear to the Soviet Union it was under threat as a means to curb Soviet arms supplies to Arab countries. Israeli officials have cast doubt on the book's accuracy. But its appearance has emphasised the growing attention on the issue.

Ironically, the uncovering by the UN of the extent of Iraq's nuclear programme had the side-effect of highlighting how little is known about Israel's capability, also carefully hidden from outside inspection. As the US and its western allies consider how to tighten controls under the Nuclear Non-Proliferation Treaty, they are bound to want Israel, which refuses to sign, to abide by its strictures.

More immediately, regional arms control is on the agenda of the multilateral section of the peace talks due to follow two weeks after the opening of next week's peace conference in Madrid. Top of the list of Arab concerns is the Israeli nuclear arsenal. At present, US officials say the Arab and Israeli approaches on arms control – Israel wants conventional weapons limits discussed first – are like "ships passing in the night". But they say at some stage the Israeli nuclear capability will be addressed.

Israel's nuclear programme dates back to 1952. Few analysts doubt that the aim from the start was to achieve a nuclear weapons capability as a last-resort counter to Arab military power. The US helped build Israel's first nuclear reactor at Nahal Soreq. This was followed in 1957 by a secret agreement with France to build the Dimona reactor in the Negev Desert, originally blithely passed off by the then-premier David Ben-Gurion as a textile factory. Mr Ben-Gurion sought to bolster wavering French enthusiasm by assuring President Charles de Gaulle in 1960 that Dimona would not be used to make nuclear bombs. French co-operation tailed off. But it is generally accepted that Israel achieved nuclear weapons capability in the late 1960s.

Most of the programme, unlike in the case of Iraq, was homegrown, based on Negev uranium deposits. But Mr Peter Pry, an American author, cites in his 1984 book Israel's Nuclear Arsenal several incidents in the 1960s when Israel was believed to have acquired bomb-grade uranium from US and European companies in clandestine operations.

The assertion in The Samson Option that Israel now possesses 300 nuclear weapons, including nuclear landmines, exceeds in number and detail previous estimates. These give Israel some 100-200 warheads capable of delivery by ballistic missile or aircraft. The message from Israeli officials, who refuse to speak for the record on the subject, is that the government is not contemplating any radical reappraisal of its "bomb in the basement" policy, whereby it allows the impression to emerge that it has a nuclear capability, but refuses to allow any international inspection.

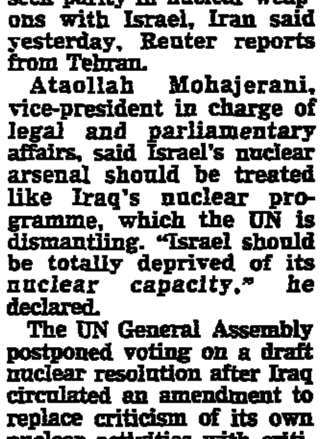
It believes the fact that Iraq was a signatory of the NPT has justified its refusal to join on grounds that the treaty does not provide proper verification of what other countries are up to. Israel is officially committed to a Middle East nuclear free zone. But it will not contemplate opening up its nuclear programme, much less dismantling it, without first achieving peace with its neighbours and agreements on other areas of arms control. It insists on stringent verification measures and the inclusion in whatever accords are made of countries as far flung as Algeria, Libya and Iran, all of which it suspects of harbouring nuclear ambitions.

Nuclear deterrence is seen by Israel as its last "margin of security" to protect perhaps even more jealously if under pressure to give up the more conventional security margin of territory. "Everything I've ever seen says nuclear weapons will be absolutely the last thing Israel puts on the table," says Dr Gerald Steinberg, an arms control expert at Tel Aviv's Bar Ilan University.

The Moslem world should seek parity in nuclear weapons with Israel, Iran said yesterday, Reuter reports from Tehran.

Ataollah Mohajerani, vice-president in charge of legal and parliamentary affairs, said Israel's nuclear arsenal should be treated like Iraq's nuclear programme, which the UN is dismantling. "Israel should be totally deprived of its nuclear capacity," he declared.

The UN General Assembly postponed voting on a draft nuclear resolution after Iraq circulated an amendment to replace criticism of its own nuclear activities with criticism of Israel's.



Mordecai Vanunu: jailed for revealing Israeli N-secrets

Li and deputies 'abused positions out of greed'

By Angus Foster in Hong Kong

MR RONALD Li, former chairman of the Hong Kong stock exchange, and five former vice-chairmen abused their positions and acted corruptly for personal gain, the High Court heard yesterday.

Outlining the crown's case at the start of the second trial involving Mr Li, Mr Michael Kalisher QC said the motive of the defendants was simple. "It was greed, personal greed," he said. Li was last year tried separately and found guilty of corrupt share dealings. He is now serving a four-year jail sentence.

In the second trial, where he is charged along with seven other defendants on similar charges, he will not appear in court because earlier this year he pleaded guilty on two counts in return for not having to stand trial again. However, he is still listed as a defendant and will be sentenced following the court case.

Mr Kalisher outlined a complicated system for distributing shares among the exchange's senior officials in 1986 and 1987. The system, known as "dividing the biscuits", followed a ratio of 10 shares for Li as chairman, three shares each for the five vice-chairman and one share for ordinary committee members. The former vice-chairmen on trial are Messrs Charles Sin, Kenneth Wong, Joseph Ma, John Chung and Cham Siu-luen.

Warning of anarchy in Zaire after more riots

By Julian Ozanne in Nairobi

ZAIRE'S state radio yesterday described the country as "a powder-keg waiting for a spark" and urged President Mobutu Sese Seko to appoint a military strong man as prime minister to prevent the country's slide into anarchy.

The radio commentary, apparently instigated by Mr Mobutu, came on the day France and Belgium strongly urged the president to share power with the opposition to save the country from political and economic chaos.

More incidents of rioting and looting by mutinous soldiers and civilians were reported yesterday, especially in the copper mining town of Lubumbashi, where supporters of two opposition parties grouped together in the Sacred Union coalition are reported to have clashed.

Both France and Belgium, which have paratroops stationed in Zaire, said they were speeding up the evacuation of their nationals following a second eruption in four weeks of riots and looting led by discontented soldiers.

The French Foreign Ministry threatened that it would end all economic aid to Zaire unless a compromise power-sharing agreement was hammered out between Mr Mobutu, who has ruled Zaire as a personal fief for 36 years, and the country's increasingly powerful opposition, led by Mr Etienne Tshisekedi.

Mr Mobutu sacked Mr Tshisekedi as prime minister on Monday. Soldiers and civilians went on an orgy of looting in Lubumbashi the same night.

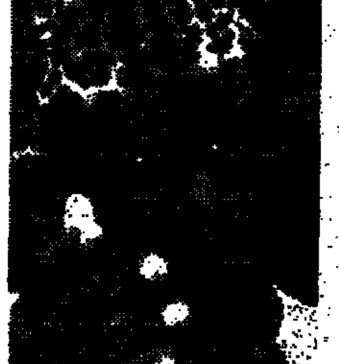
The French and Belgian statements mark the growing concern about the depth of Zaire's political and economic crisis and the threat to regional stability and significant western investments from further conflict.

Memories of bloody tribal secessionist rebellions in the 1960s and 1970s, particularly in the copper and cobalt rich province of Shaba (formerly Katanga), have fuelled fears that the country could plunge into violent chaos.

Without a credible government in place the economy – already suffering from hyperinflation of 3,000 per cent, an unserviceable foreign debt of \$8bn (£4.6bn) and shortages of imports – will deteriorate further.

Last month's riots and looting, which left 250 people dead, wrecked the capital Kinshasa and two other provincial cities and destroyed a substantial amount of the estimated \$2.5bn of foreign investment.

Disturbances in Shaba province have also severely hit the operations of Gecamines, the state-run mining company, and early forecasts suggest a minimum loss of 5-10 per cent of this year's estimated 10,000 tonnes of cobalt and 280,000 tonnes of copper.



Mobutu: call for a clampdown

Opposition will plunge Zambia into chaos, says president

Kaunda: 'I'll quit if I lose election'

By Julian Ozanne, recently in Lusaka

PRESIDENT Kenneth Kaunda of Zambia, facing possible defeat next week in his country's first multi-party elections since 1968, says he will step down if he loses, but warns that a government led by the opposition would plunge Zambia into chaos.

Mr Kaunda also pledged that, if re-elected for a seventh term as president, he would carry out a strict economic liberalisation programme, abolishing huge subsidies on consumption and privatising state-owned companies.

One of the last three remaining African rulers who led their countries to independence in the 1960s, he defended his record, exuding confidence about the poll next Thursday.

Discounting fears among Zambia's 8m voters that he would fight to stay in power no matter what, Mr Kaunda, 67, said: "If the people of Zambia say: we think we should have someone else, I will obey. I have no psychological problems in obeying what my masters tell me".

But the mission-educated son of a Presbyterian minister says the main opposition party, the Movement for Multiparty Democracy (MMD), is seeking to incite chaos, and threatened stiff measures against them after the elections.

"They are playing the game that if I did anything or the police arrested them, they would say we were muzzling the opposition. I tell you: after the election, when we win, they will not be able to repeat those things because we will take action." Statements like these, and the continued existence of Mr Kaunda's sweeping powers of arrest and detention under the state of emergency, have exacerbated concerns among Zambians and foreign observers about his true intentions.

Known to Zambians as "KK" or "The Big Man", he says the state of emergency "is there to protect Zambians, not oppress them", and promises to lift it when re-elected. But that is in some doubt. He has chosen to fight the election on the platform that he has given Zambia almost 30 years of peace and stability. But it is the economy, which has suffered from a huge inefficient public sector, price controls and large subsidies on consumption, which is the key election issue for most Zambians.

Mr Kaunda accepts that "we maintained subsidies for too long and that has been a killer", and promises a deeper commitment to liberalisation of the economy and privatisation. But the start-stop nature of the reform programme, suspended last month after Zambia defaulted on a \$20.8m (£12m) arrears payment to the World Bank, and Mr Kaunda's continued policy of blaming the "unfair international trade order" for Zambia's woes, have raised doubts about his commitment to sweeping reforms.

WORLD TRADE NEWS

Germans to join helicopter engine venture

By Paul Betts, Aerospace Correspondent, in Munich

MTU, the German aero-engine manufacturer, is joining the £200m Anglo-French programme to build engines for the new European NH90 military transport helicopter and the Royal Navy's EH101 Merlin anti-submarine helicopter.

The German company, part of the Daimler-Benz group, yesterday signed an agreement to take a 15 per cent risk sharing stake in the RTM-322 helicopter engine programme being jointly developed by Rolls-Royce and Turbomeca of France.

Piaggio of Italy also participates with a 10 per cent stake.

The German stake in the programme, however, is dependent on Germany opting for the RTM-322 engine for its requirement of around 240 NH90 troop transport helicopters.

Rolls-Royce and Turbomeca, which between them have invested about £150m so far, are fighting a serious battle against the US General Electric company to supply their RTM-322 power plants on a range of European and US helicopter programmes including the NH90, the Anglo-Italian EH101, the McDonnell Douglas AH64 Apache and Sikorski Blackhawk.

While the UK has chosen the RTM-322 for the Royal Navy's Merlin EH101 helicopters, Italy appears set to order the rival GE T700 engine for its EH101 helicopters. The participation of MTU in the RTM-322 is part of a collaborative strategy between European helicopter engine makers to form competitive partnerships to compete against their bigger US rivals.

Mr Christopher Fairhead, the Rolls-Royce project director for small engines, said in Munich that the competition with GE was intense because the US company had the advantage of a huge domestic US market as well as receiving "virtually 100 per cent sponsorship from their government on this particular military programme".

Rolls-Royce has so far spent about £75m of its own money on its share of the RTM-322 development programme since it was launched in 1983. UK and French government support for this engine has amounted to 25 per cent of the programme's £200m development costs.

Mr Fairhead said that just as GE was driving down prices on the commercial aero-engine market, they were driving down prices in the helicopter sector.

But he said he was confident of winning the NH90 engine market with the RTM-322 because the European engine is of more recent technology than the older GE engine. He said it had greater potential to increase its power than its GE rival.

US regulator takes on telecom moguls

Hugo Dixon *on a drive to cut the cost of international calls*

MR Alfred Sikes has become the scourge of the international telecommunications cartel. The chairman of the Federal Communications Commission (FCC), the US regulatory agency, has been campaigning to drive down both the price to consumers of international calls and the "accounting rates" which telecommunications carriers pay each other.

Mr Sikes is driven mainly by US interests. Under the accounting rate regime, US carriers paid out a net $2.8bn last year to foreign carriers.

The deficit is caused partly by the fact that more calls are made out of the US than into it and partly by the fact that the accounting rates which determine how much should be paid to settle this imbalance in traffic are above costs. The FCC considers about half the deficit to be a subsidy.

The high accounting rates also mean US consumers are paying more than they ought to for international calls, although the overcharging is not as great as in other countries because of competition between AT&T, MCI, US Sprint and others.

But the FCC chairman says he is also driven by "principled fervour". He believes the foreign carriers, still mostly state monopolies, are hurting their countries' economic potential by keeping prices and accounting rates high.

It is understandable that the monopolies want to earn "super profits", he says, but what they do not understand is that as prices are cut traffic volumes will grow. More open communications are essential because, with the world economy becoming knowledge-based, telecommunications are the "fulcrum of development".

"The question is how you get from accounting rates that are outrageous and prices that are correspondingly outrageous – which is having a chilling effect on international trade and communications – to a much more open arrangement," says Mr Sikes.

His answer is to take action on all fronts: multilateral, bilateral and unilateral.

The main multilateral forum is the International Telephone and Telegraph Consultative Committee (CCITT), the Geneva-based group of carriers and their governments, which is responsible for the accounting rate system.

> 'Outrageous prices are having a chilling effect on international communications'

The US proposed a three-pronged reform to the system at last month's CCITT meeting. Accounting rates, it said, should be based on costs, should be made publicly available and should be applied to all countries in a non-discriminatory fashion. The meeting, however, watered down "cost-based" to "cost-orientated", replaced "non-discriminatory" with "equal and consistent" and brushed aside the suggestion that rates should be publicly available.

Mr Sikes says there was "far too little success" at the meeting. But he draws comfort from the fact that the issues are still on the table. The CCITT is due to meet again in January.

Bilaterally, the FCC is exerting the most pressure on those developed countries and newly industrialised countries with which the US has the largest individual deficits. It wants these countries to cut accounting rates to reduce the deficit.

This policy has had some success, with the US carriers negotiating cuts in accounting rates of 50 per cent or more with the UK, Spain, the Netherlands and Hong Kong. But it is being resisted by others. For example, Mr On-Chong Song, South Korea's telecommunications minister, says the conflict will not be resolved if the US views it purely as a way of reducing its deficit.

Mr Sikes' negotiations with UK authorities centre less on accounting rates than on increasing competition in international communications between the two countries. Following the UK government's review of the BT/Mercury Communications duopoly earlier this year, the domestic market has been opened to competition but the market for international calls remains largely closed.

Further liberalisation has been held up because the UK argues that US regulations discriminate against foreign carriers by treating them all as "dominant" and preventing them owning more than 25 per cent of a radio communications licence. The FCC chairman says it is important to unclog the issue.

Mr Sikes is more sensitive about putting pressure on developing countries, which often rely on accounting rate payments as a valuable source of hard currency. He thinks they too would benefit from lower prices but recognises that something may need to be done to ease the transition process.

Alfred Sikes: driven by US interests

On a unilateral level, the FCC has threatened to impose lower accounting rates if foreign carriers do not negotiate them by 1993. This threat has angered foreign governments, which view it as an extra-territorial extension of US regulations.

Mr Sikes' response is that the current accounting rate system has an extra-territorial impact on the US too: "We are clearly being harmed by cartel action."

$30bn UN scheme for Tumen area

By William Dullforce

CHINA, North Korea, South Korea and Mongolia have agreed to collaborate in a $30bn development programme for the Tumen River area, the United Nations Development Programme (UNDP) said yesterday.

The area stretches from the North Korean port of Shonjin to Yanji city in China and north to the Russian port of Vladivostok. It has ample raw materials while its population of 300m offers a plentiful supply of labour.

Agreement on an action plan was reached last week at a meeting in Pyongyang, the North Korean capital, at which Japan and the Soviet Union were present as observers. Some $30bn will be required over the next 20 years, according to a preliminary estimate by UNDP which hopes that Japan and South Korea will be important contributors.

UNDP says funds are required initially to build a transport network of roads, railways, ports and airports together with educational facilities, power, water and waste disposal plants and telecommunications.

Landlocked Mongolia's interest is in finding new outlets for its oil, minerals, timber, wool and livestock.

Tokyo and Seoul resist rice reform

By William Dullforce in Geneva

JAPANESE and South Korean delegations are descending thick and fast on Geneva in what appears to be a co-ordinated effort to warn against any attempt to open their markets to rice imports.

With the US and the European Community at last starting to discuss seriously how to close the gap between them on agricultural reform and remove the blockage over farm trade that has thwarted completion of the Uruguay Round trade talks, the Japanese are insisting that rice must be exempted from any trade liberalisation.

As the world's biggest food importer, Japan wants a deal that would eliminate subsidies on farm exports. But, Japanese officials and visiting delegations say, Tokyo will continue to resist any attempt to have rice covered by the "tarification" plan which negotiators have been elaborating. Under this plan all barriers to farm imports, such as quotas, will be converted into customs duties and then progressively reduced.

The Koreans have been even more pressing. Last week a farmers' delegation lobbied trade negotiators and Gatt officials; this week Seoul has sent a bi-partisan parliamentary team; next week a visit by the agriculture minister is scheduled.

Mr Youn Tai Chi, leader of the parliamentary team, said yesterday that South Korea was ready to be flexible in all other areas under negotiation in the round, even on such vital issues as opening its services to competition and securing tighter rules on anti-dumping action by the US and the EC. But the South Korean national assembly would not ratify any package of agreements that did not reflect its position on rice.

Last week the assembly passed a resolution stating that the liberalisation of rice imports, even the introduction of a minimal import quota, was "unacceptable under any circumstances".

The US has been toughest in pressing Tokyo and Seoul to open their rice markets. But, Mr Chi said, the US produced very little rice that was to Koreans' taste.

Call for stronger Gatt rules

By William Dullforce

THE Nordic countries - Finland, Iceland, Norway and Sweden - yesterday warned that they would reject any package of results from the Uruguay Round trade talks that did not reform and strengthen the rules of the General Agreement on Tariffs and Trade. In particular, the Nordics called for clearer rules on anti-dumping and subsidies.

Their move can be seen as a reminder to the European Community and the US that the speedy completion of the international trade liberalising talks does not depend only on breakthroughs being made on agricultural reform, services and intellectual property.

Mr Tor Naess, Norway's director-general for foreign affairs, said the Nordics were afraid that the big trading powers might want to choose the easy way out by leaving Gatt's rules unchanged. This would be unacceptable to countries whose objective was to secure complete and unambiguous rules.

Norway is embroiled in a dispute over US anti-dumping measures against its salmon exports while Sweden has complained to Gatt about US anti-dumping action against its steel products.

Japan, which has suffered most from the proliferation of anti-dumping measures in recent years, immediately backed the Nordic move. Support was also expected from Switzerland and Austria and from several newly industrialised countries such as South Korea.

The Nordics called for substantial and balanced reforms in rules for anti-dumping, subsidies, the safeguard mechanism which allows countries to act against injurious surges in imports, and developing countries' ability to cite balance of payment difficulties to block imports.

With only nine days left under the schedule set by Mr Arthur Dunkel, Gatt's director general, for negotiators to finish, the group handling Gatt rules yesterday divided into small informal caucuses on each outstanding issue. To their chagrin no Nordic country is in the caucus dealing with anti-dumping.

EC plans reform of oilseeds regime

EC farm ministers have agreed a plan to reform the oilseeds regime following a Gatt panel finding against the current system, Reuter reports from Luxembourg. The US made the complaint against the EC.

The plan, which has to be approved by the European Parliament, involves switching from a system of paying subsidies to processors using EC oilseeds, to one in which producers are paid aid per hectare.

Mr Piet Bukman, the Dutch farm minister, who drafted the compromise, said they accepted the package because the Commission agreed the per-hectare aid could be calculated taking into account cereal or oilseed yields, rather than just cereals as originally proposed.

The compensation would be calculated taking regional differences into consideration, he said. Several countries were worried they might end up with what they viewed as unfairly low levels of compensation.

He said that once the EC was experienced with the new system, it would be reviewed. The possibility of introducing a "loan rate" system such as that in the US was not ruled out. This system effectively sets a floor price.

AMERICAN NEWS

Continued weakness may trigger interest rate cut

Fed's Beige Book offers little economic comfort

By **Michael Prowse** in Washington

THE US economy is "weak or growing slowly", according to the Federal Reserve's latest Beige Book assessment of regional economic trends.

The report paints a depressing picture of a sluggish economy and is likely to add to pressure in Washington for fiscal measures to stimulate growth.

Policy-makers, however, are anxiously awaiting next week's figures for gross national product in the third quarter, which may show a modest rebound after several periods of contraction.

The Fed report says retailers reported "slow or sluggish" business in most parts of the US. Car sales were generally flat or down from last year in many districts.

Manufacturers were a little more optimistic, reporting "stable to slightly higher" production in most areas. In some districts, however, businesses indicated that the "pace of advance had slowed recently".

Several areas reported some increase in home sales but residential construction was generally seen as weak. Loan demand by consumers and industry remained depressed in most areas.

The report, prepared by the Federal Reserve Bank of Philadelphia and based on data up to October 11, will be discussed at the next meeting of the Fed's policy-making open market committee on November 5. Many analysts expect the Fed to respond to continuing signs of economic weakness by nudging interest rates lower.

Yesterday's report follows a series of disappointing economic statistics.

The Commerce Department last week released figures showing that the recovery in industrial production in early summer ground to a halt during August and September. Inflation, meanwhile, was higher than expected.

Perceptions of the economy could change next week when the estimate of third-quarter GNP is released. Most economists expect GNP to register an increase of 2 to 3 per cent at an annual rate. This would mainly reflect a sharp slowing of inventory liquidation by companies and would not necessarily indicate sustainable growth.

The first rise in GNP after three successive quarterly declines, however, would add conviction to the Bush administration's claims that a moderate recovery is under way.

Yesterday's report showed continuing regional diversity. Dallas and San Francisco reported weakness in retail sales, but Minneapolis was more upbeat, reporting "fairly strong" sales.

Richmond and New York reported an increase in new orders for manufactured goods. Boston and Philadelphia said orders were weak or declining.

Castro holds surprise Mexico talks

By **Damian Fraser** in Mexico City

CUBA'S President Fidel Castro yesterday held surprise talks with the presidents of Mexico, Colombia and Venezuela in the Mexican island resort of Cozumel. Mr Castro said he "arrived purified" from Cuba's recent Communist party conference – but he would not comment on the purpose of the talks.

Cuba is believed to want to become a member of the San José Pact, under which Mexico and Venezuela provide oil on favourable terms to some Caribbean countries and the five Central American republics.

Originally, presidents Carlos Salinas de Gortari of Mexico, Carlos Andrés Pérez of Venezuela, and César Gaviria of Colombia had planned to discuss progress in the proposed trade pact between the three countries, co-operation in Central America and the Caribbean, and recent events in eastern Europe and the Soviet Union.

Cuba, which is facing disruption in its traditional trade links with east Europe, has been hit by a sharp cut in supplies of cheap oil from Moscow. It has been seeking to boost its economic and political relations with Latin America.

Mr Gabriel García Márquez, the Colombian Nobel laureate and a long-time associate of the Cuban leader, joined in the talks, according to Mexican television.

Canadian voters rebel against old order

Conservatives are being sidelined in provincial elections, writes **Bernard Simon**

WHEN Brian Mulroney's Progressive Conservative party swept to power in Ottawa seven years ago, eight of Canada's 10 provinces were ruled by the Tories or their allies.

Many observers concluded that a new era of Conservative-dominated harmony between the federal government and the provinces had begun. It did not work out that way.

Mr Mulroney's government is now at an all-time low in opinion polls. Among the provinces, the Tories remain in office in only Alberta and Nova Scotia.

Whether the topic is Quebec's conditions for remaining part of Canada or the harmonisation of federal and provincial sales taxes, relations between Ottawa and the provinces continue to be marked by disagreement and back-biting.

The pundits may have briefly forgotten in 1984 that Canadians like to keep politicians on their toes by casting their votes for different parties at federal and provincial level. But no one could have foreseen the force with which a disgruntled and disillusioned electorate has swept out the old order.

The left-leaning New Democratic party, which holds fewer than a sixth of the seats in the federal House of Commons, now controls three provinces, with more than half the country's population. It won in Ontario last year and within the past week has coasted to power in British Columbia and Saskatchewan.

The Liberals were re-elected in New Brunswick last month, but the official opposition there is now a previously unheard of group whose chief campaign promise was to scrap official bilingualism. In western Canada support has snowballed for the populist Reform party, which did not field candidates in the recent provincial elections.


Bob Rae: advocates fiscal restraint


Brian Mulroney: popularity waning

The main beneficiary in Quebec of the rebellious mood has been the separatist Bloc Québecois, which was formed little more than a year ago.

For the moment all eyes are on the three NDP governments. Each has a comfortable majority of seats, but their mandates are far from overwhelming.

In British Columbia, the NDP won with a lower proportion of votes than it secured in the election which it lost in 1986. The difference is that the remaining votes were split this time between their right-wing Social Credit and Liberal opponents.

Judging by the evidence of the past year, the NDP also senses that voters have been attracted to its candidates more through discontent with the other parties than any great affection for left-wing ideology.

The new Ontario government was castigated for its first budget last April, which provided for a tripling in the provincial deficit. Mr Bob Rae, the Ontario premier, has subsequently cast aside talk of the province spending its way out of recession, and now stresses the importance of fiscal restraint.

Intense lobbying by the insurance industry persuaded the Ontario NDP to abandon last month a 30-year promise to introduce a publicly owned car insurance scheme. Ontario has also delayed plans for an environmental "bill of rights" which is hotly opposed by the business community.

Business is now hoping that all three NDP governments will turn out to be pragmatic and, in British Columbia and Saskatchewan, an improvement on their quirky, right-wing predecessors.

Mr Tim Reid, president of the Canadian Chamber of Commerce, says: "The idea that there's a sweep across Canada by the socialist hordes is absolute nonsense." In Saskatchewan, Cameco, the world's biggest uranium producer, is confident its contribution to the provincial economy will weigh more heavily with the new government than the NDP's traditional opposition to nuclear power.

Both the Saskatchewan and British Columbia NDP leaders have promised balanced budgets.

The party's traditional commitment to strong central government and the fresh mandate given to the new provincial leaders may also improve the chances of English-speaking Canada reaching an accommodation with Quebec.

Mr Ian Waddell, a veteran NDP MP in Ottawa, predicts that Mr Mike Harcourt, the incoming British Columbia premier, and Mr Roy Romanow, his counterpart in Saskatchewan, will be more willing than their predecessors to accede to Quebec's demand for its recognition in the constitution as a "distinct society".

On the other hand, the new NDP governments will strive not to alienate their core support among trade unions and social activists.

The parties in Ontario and British Columbia have pledged to strengthen the hand of workers in labour negotiations. When the time comes to raise taxes, big companies and high-income individuals will certainly be first in the firing line.

Tougher anti-pollution rules, bigger budgets for social and welfare services, and a higher profile for equal pay are among the items likely to be on the political agenda in all three provinces over the next few years.

The doggedness with which the NDP governments pursue these issues will determine whether business unleashes the same anger that it did earlier this year over the Ontario budget and car insurance plan.

Aristide impatient with Haiti sanctions

By **Canute James**

MR Jean-Bertrand Aristide, Haiti's deposed president, said yesterday that international sanctions imposed to pressure the country into restoring democracy were not effective enough.

Mr Aristide, who is in Venezuela following his overthrow by the military last month, said that if sanctions were tightened and properly implemented the military-backed interim government in Haiti would collapse within days.

His apparent impatience with the effects of sanctions conflicts with an assessment by the Organisation of American States; Mr Christopher Thomas, deputy secretary-general of the OAS, said the economic embargo against Haiti was working.

Mr Thomas is on a tour of Caribbean countries to discuss the measures. He said they had forced Haitian MPs and businessmen to Washington to discuss the ending of the economic embargo and the return of Mr Aristide.

In Port-au-Prince, Haiti's capital, there have been long queues at petrol stations; petroleum products are expected to be exhausted by the end of the week. Prices, particularly for food, have been rising rapidly.

The US Agency for International Development and the World Health Organisation closed their Haitian operations this week, in keeping with the imposition of economic sanctions.

Journalist murder probe to reopen

A CHILEAN appeal court has ordered a judge to reopen his investigation into the death of Mr Jonathan Moyle, a British journalist found hanging in a hotel cupboard last year, Reuter reports from Santiago.

Mr Moyle was editor of Defence Helicopter World magazine and his death gave rise to press reports that he was killed because of information he had on sales of military technology to Iraq.

Judge Alejandro Solis announced in September that Mr Moyle had been murdered but said he was closing the case for lack of clues as to who committed the crime and made it look like suicide. Mr Moyle's family appealed for the investigation to be reopened.

Mr Moyle was found dead in his Santiago hotel room on March 31 1990, a week after arriving to report on a military trade fair.

Mr Jorge Trivino, a lawyer for the Moyle family, said last year that Mr Moyle was suffocated before being placed in the cupboard.

US moves to check civil lawsuit growth

By **George Graham** in Washington

THE US government has taken its first step towards curbing the explosive growth in civil lawsuits.

President George Bush yesterday signed an executive order compelling federal government agencies involved in litigation to abide by new guidelines, including limits on the discovery process under which either side in a suit can demand documents from the other.

Agencies will also be required to try to avoid trials by finding other ways to settle disputes. A settlement conference before trial will become mandatory.

President Bush said the administration also planned to press Congress to act on other measures to reform the civil justice process. "The problem stems from a legal system that has just spun out of control, and sadly we have become the most litigious society in the world.

"The fear of outlandish litigation has begun to strangle the American dream."

The measures are drawn from proposals made by the Council on Competitiveness, chaired by Mr Dan Quayle, US vice-president.

In suits with federal contractors a version of the "English Rule" will be applied, under which the loser must pay part of the opponent's costs.

Lawyers suing the government will be required to limit discovery. This process, which Mr Quayle has described as 80 per cent of the problem, is currently unlimited, with routine demands for vast tonnages of documents, bringing entire companies to a halt and slowing down the legal process.

The government is an important litigant, so the rules could have some impact on the backlog of lawsuits in the US. More radical measures, however, will require legislation.

Among the measures to be proposed would be an extension of discovery limits to private-sector litigants, coupled with a rule that plaintiffs should have to pay for discovery after an initial free phase.

More controversially, the administration will push for curbs on punitive damages, which in certain states may be awarded to plaintiffs over and above compensation for actual loss, and for an extension of the "loser pays" rule.

"Many other countries don't have this problem, because every other western democracy has the loser pays rule to discourage senseless lawsuits," Mr Bush said.

مكبرة من الأصل

UK NEWS

Highlanders threaten Tories with one last fling

By Ivo Dawnay in Aboyne, Aberdeenshire

A HIGHLAND uprising, led by a 63-year-old retired electronics salesman with a decidedly English accent, looks set to put paid to any remaining Tory hopes of staying the second largest party in Scotland.

Yesterday, Mr Douglas Robson declared that he would stand as the Gordon Highlanders' candidate in next month's Kincardine and Deeside by-election if the men from the Ministry of Defence fail to come out with their hands up within the next 24 hours.

Few doubt that his protest at the government's refusal to reconsider the merger of the 197-year-old regiment with the Queen's Own Highlanders could prove the lethal blow in the Conservatives' struggle to save their tiny 2,068 majority.

"We are waiting for a puff of white smoke from the Whitehall chimneys," Mr Robson said yesterday. "We are not asking for a U-turn or even a decision, just an agreement to discuss it."

For 16 years a Royal Navy man and a one-time Tory councillor Mr Robson appears at first an improbable figure to call the clans to arms.

Mr Robson's brother, Mike, fought in the Gordons' campaign against Communist insurgents in Malaysia and is just one of the nearly 800,000 signatures behind the Keep Our Scottish Regiments campaign. Of these, several thousand alone came from this highly-traditionalist Deeside constituency.

Many believe that for the Tory candidate, Mr Marcus Humphrey - a local laird - the challenge of Mr Nicol Stephen, a 31-year-old local Liberal Democrat councillor, was already too formidable an obstacle on the road to Westminster.

Now, with the bayonets of the enraged Gordons ranged against him, Mr Humphrey's campaign is beginning to take on the characteristics of Rorke's Drift. Even Prince Charles, a sometime resident of nearby Balmoral, happens to be the regiment's Colonel-in-Chief. But, then, in that the Tories' Deeside pretender is in luck. As a peer of the realm, at least His Royal Highness is not entitled to vote.

Companies seek military communications order

Thompson-CSF launches joint bid with GEC

By Charles Leadbeater, Industrial Editor

THE General Electric Company (GEC) yesterday launched a joint bid with Thomson-CSF, the French state owned defence electronics group, to supply British military forces with a new generation of battlefield mobile communications.

The two companies are bidding to develop and produce the Bowman system, due to come into service in 1997.

The contract, which could be worth up to £2bn is the largest military communications project in western Europe.

The joint bid could lead to one of the most ambitious cross border manufacturing agreements in the defence electronics sector. It is further evidence of the pressure defence manufacturers are under to form cross-border alliances to gain access to technology and export markets.

Although GEC will lead the project, Thomson-CSF will play a significant role by providing the technology for VHF radios which will be the largest single part of the system. These VHF radios would be manufactured in France at a plant where Thomson-CSF already makes radios for the French military.

The Bowman bid is the second significant area where GEC and Thomson-CSF, usually independent competitors, have agreed to collaborate.

In May they announced they would jointly develop the next generation of airborne radar to compete with systems being developed by US groups. This radar is intended for future fighter aircraft.

The GEC and Thomson consortium is expected to face stiff competition from Racal, the British electronics group, as well as US and continental European defence groups. The British government will next week call for tenders to develop the system.

Two consortia are expected to be chosen to develop competing systems to meet the MoD's specifications. The full development phase is expected to last at least two years. One team will be awared a production contract.

Health secretary retracts tax pledge

By David Owen and Philip Stephens

MR WILLIAM WALDEGRAVE, the health secretary, bowed to Treasury pressure yesterday and publicly retracted an earlier statement that tax relief on private health insurance for the elderly is likely to be abolished.

His enforced reversal, acknowledged as an acute embarrassment to the government, is likely to be followed by a warning to ministers from Mr John Major that there must be no further public disputes. The prime minister is expected to tell this morning's meeting of the cabinet that ministers must instead concentrate their fire on opposition policies.

Mr Waldegrave's comments were seized on by the Labour party as evidence of mounting disarray within the government over its approach to the National Health Service.

Mr Robin Cook, the shadow health spokesman, said it demonstrated that the government was giving priority to private medicine rather than to the health service. Mr Waldegrave, meanwhile, said that, while it would not be extended, the present system should continue "for a good deal longer".

His comments followed a row with Mr Norman Lamont, the chancellor, who was angered by a prediction by Mr Waldegrave last weekend that the relief would be abolished.

1) Gordon Brown (2) 2) Robin Cook (4) 3) John Smith (1) 4) Ann Clwyd (11) 5) Bryan Gould (17) 6) Margaret Beckett (3) 7) Frank Dobson (15) 8) Tony Blair (8) 9) Ann Taylor

10) David Clark (7) 11) Donald Dewar (9) 12) Jack Cunningham (13) 13) Gerald Kaufman (5) 14) Jack Straw (6) 15) Michael Meacher (10) 16) John Prescott (18) 17) Barry Jones (14) 18) Jo Richardson (5)

Last year's ranking in brackets

Labour Party picks its government-in-waiting

By Alison Smith

THE opposition Labour Party yesterday picked its so-called "shadow" cabinet in the run-up to the next general election.

Under Labour rules all 18 men and women must now be given cabinet jobs if the party wins the next election, though they would not have to be given the government posts which they now shadow.

Yesterday's annual shadow cabinet election is the last before the general election, which Mr John Major, the Conservative prime minister, must call by July next year.

Mr Gordon Brown, Labour's trade and industry spokesman, emerged yesterday as a future party leader after he topped the polls in the shadow elections.

This is the fourth year running that Mr Brown has been either first or second in the poll among Labour MPs.

Mr Robin Cook was re-selected to the shadow health post and will continue the party's campaign against the handling of the state-run National Health Service (NHS) under Mr William Waldegrave, the health secretary.

In the poll – which saw all last year's successful candidates re-elected – Mr Cook came second, reflecting the importance of health.

In a field of 38 candidates, seven fewer than last year, Ms Ann Clwyd, the shadow minister for overseas development, came fourth and was the highest-ranked of the four women elected. Each ballot paper must include votes for at least three women candidates.

Another those whose rating improved dramatically was Mr Bryan Gould, the shadow environment secretary, who rose from 17th to come fourth – reflecting both an active role in the local election campaign and a move back into favour with the Labour leadership. His vote in the national executive against the leadership on defence spending immediately before the 1990 party conference, was blamed as the reason for his relatively poor showing last year.

Mr Jack Straw, the shadow education secretary, and Mr Gerald Kaufman, the shadow foreign secretary, both dropped down the ratings, though with the same numbers of votes as last year.

Mr Kinnock said yesterday: "This is a very strong vote of confidence in an excellent shadow cabinet." He contrasted his frontbench team, with the fact that Mr John Major had not appointed any women cabinet ministers.

Both Mr Kinnock and Mr Roy Hattersley, his deputy, are shadow cabinet members ex officio.

Editorial Comment, Page 16

Cast jostles behind the scenes as party auditions main parts

By Philip Stephens, Political Editor

THE results of the elections for Labour's "shadow cabinet" were uncontroversial enough. The campaigning which preceded the ballot was anything but.

Mr Neil Kinnock, the party leader, got the cabinet-in-waiting he expected. The stars of the party – Mr Gordon Brown, Mr Robin Cook and Mr John Smith and Mrs Anne Clwyd among them – received the rankings merited by star performances.

But the jostling for position among some of the contenders lower down the rankings was not quite as straightforward. Two weeks of wheeling, dealing and cajoling in the bars of the Commons made their battles with the Tories look tame.

Some campaign managers "traded" empty slots on ballot papers with anyone and everyone – regardless, one quipped, of "race, creed or politics". The only rule was that papers had to be filled in there and then – in permanent ink.

The real market-place though centred on the office of the whips – the managers of the parliamentary party – where the currency was far more valuable to many MPs than a simple barter deal. In return for blank ballot sheets, the uncommitted could shop for a range of favours.

MPs in far-flung constituencies or those like barristers with heavy commitments outside Westminster were assured that their requests for "time-off" from committee work and late night votes would be looked upon favourably.

Enthusiastic members of the "Thomas Cook" club were told they would stay at the top of the list for parliamentary excursions to Bali and Bangkok. And what better way than to jump the queue for office accommodation than allow a party manager to fill in your ballot paper?

For their part the whips could promise the leadership more or less the result it was seeking, and pick up a few useful debts-owed from grateful candidates.

Those outside the magic circles discovered that their attempts to win a place were being mysteriously undermined by unhelpful leaks to the press. Mr George Robertson, for example, was a victim of a story that he was set to displace one of the existing team – ensuring that supporters of the status quo mobilised against him.

Such shenanigans are not confined to Labour MPs – as last year's Tory leadership election demonstrated. But as one Conservative business manager put it: "We do try not to be quite so vulgar about it."

LABOUR'S CABINET TEAM

Total number of elected members	1[illegible]
Number on party's national executive committee	[illegible]
Number who went through higher education	1[illegible]
University graduates	1[illegible]
Average time as MP about	15½ years
Trade Union sponsorship	17
General unions	10
RMT transport union	4
Manufacturing Science and Finance	1
Public service unions	2

Government experience:
One former cabinet minister; five former ministers; one former whip; two former parliamentary private secretaries. Nine have no government experience.

Previous careers:
Five journalists; seven teachers, tutors or lecturers; three barristers and one solicitor; one metallurgist; one merchant navy steward; one trade union official; one diplomat; one worker in the electricity industry (some have had more than one profession).

هكذا هي بالأصل

“THE WORD ‘DOG’ NEVER BIT ANYBODY.”

ARISTOTLE

Financial Post


EDITORIAL

Court favours free commercial speech

Federal law banning cigarette ads violates charter rights to free speech and is an intrusion into provincial jurisdiction over the regulation of advertising, according to the ruling of the Quebec Superior Cou...

Judge rules against ban on tobacco ads

...from advertising in newspapers, magazines, or on radio and television. A clause banning billboard advertising went into effect Jan.4. The law gives firms until January 1989 to get rid of all in-store advertising.

Chabot's ruling will probably be appealed ... way to the Supreme Court.

Ottawa Citizen

Advertising is not the same as the product it sells.

It may seem obvious, but opponents of smoking often miss the point.

Brussels doesn't approve of smoking, so it's trying to ban advertising of tobacco.

The silliness of this position (as well as its unfairness and its essential undemocratic nature) was highlighted in July's Canadian court judgement.

The court found no proven connection between tobacco advertising and overall tobacco consumption. And no proof that banning advertising reduces consumption.

In fact, the court struck down Canada's tobacco advertising ban as “a form of censorship and social engineering which is incompatible with the very essence of a free and democratic society.”

In Canada, the word “dog” doesn't bite. In Brussels they think it does.

TOBACCO ADVISORY COUNCIL

Hear the other side

TOBACCO ADVISORY COUNCIL, GLEN HOUSE, STAG PLACE, LONDON SW1E 5AG. TELEPHONE: 071-828 2041. FACSIMILE: 071-630 9638.

Economists criticise UK muddle over Emu

By Rachel Johnson

EIGHT influential economists yesterday criticised the government's foot-dragging *approach to economic* and monetary union and presented an alternative fast-speed route for European Community leaders to consider at December's Maastricht summit.

According to a report on the "Maastricht muddle" published by the Centre for Economic Policy Research (CEPR), an independent network of 140 primarily European academic economists, the pre-summit *debate is bogged down in the* transient concerns of convergence and fiscal rules.

As they launched their report, the CEPR authors took direct issue with Mr Robin Leigh-Pemberton, the governor of the Bank of England, who this week argued in Italy that Emu could not succeed unless stiff convergence criteria on inflation and budget deficits had been met.

In a tough speech, Mr Leigh-Pemberton stressed that there was still much to do and that almost all member states were economically unfit to lock their exchange rates.

But the CEPR report said the short-term focus on convergence and fiscal rules was "misplaced" and did little to establish a framework for policy in the long run. Preconditions on inflation, government debt and budget deficits were "unwise and unnecessary".

While the Bank warned against the dangers of premature union, the CEPR said that delaying the start of the process would "jeopardise the convergence already achieved." CERP's route to Emu would be by three steps:

- Member states should sign a Treaty at Maastricht agreeing rules under which individual countries may join Emu
- These should be able to announce their intention to join from January 1992 onwards, and become full members two years later
- Such announcements should entail the commitment unilaterally to maintain their exchange rates against the hardest EC currency during *the two-year probationary* period.

Europe seeks hallmark

Tom Lynch looks at the international debate on precious metals: is a stamp of approval necessary?

TOMORROW, the people who run the *hallmarking* offices in eight European countries will meet in London to dicuss how to move towards a common European Community system for hallmarking precious metal.

Assay masters from the UK, Ireland, Denmark, Netherlands, France, Spain, Portugal and Italy – Belgium also has a hallmarking office, but its representative is unable to attend – hope to form a group to negotiate with the European Commission.

The meeting takes place against a background of uncertainty within the EC about *whether a common hallmarking* system can be agreed: there is some hostility to the principle.

British law provides that all items offered for sale as gold, silver or *platinum, have to* be tested by one of the four assay offices and stamped with the crown symbol of the UK, the symbol of the assay office, a date mark and a number giving the purity of the metal. The manufacturer usually adds its mark.

The London Assay Office is run by the Worshipful Company of Goldsmiths, one of the ancient City guilds.

Mr David Evans, London assay master and deputy warden of the Worshipful Company of Goldsmiths, said compulsory hallmarking provided consumers with "an independent guarantee" of the fine metal content of precious metal articles.

Opponents of hallmarking, such as Mr Lawrence Brewer, managing director of Payton Pepper & Sons, of Birmingham, argue that hallmarking has protected the UK industry from competition. He says the need to take a scraping of gold damages the item, as does stamping on four marks, and that assaying adds £12,000 a year plus secure transport plus repairs to his costs. He describes it as "a monstrous intrusion on our freedom to operate."

His stamp on an item, he argues, is his guarantee of quality. As long as his jewellery maintains its standard, customers buy it.

Manufacturers argue that import penetration has not *been blocked by hallmarking* – imports have risen from 5m items of 9 carat gold in 1986 to 8.4m items last year.

Ashley Ashwood

Cutting edge: craftsmen want European harmonisation

British jewellery manufacturing employs 16,000 people, with Birmingham as the most important centre. The transformation of the £1.8bn a year retail market, dominated by Ratners, has not been matched in manufacturing, and much jewellery is still made in small, workshops where craftsmen specialise in the work handed down from their grandfathers.

Mr David George, director of the British Jewellery Association, says a survey of the association's 750 members found strong support for hallmarking, and that damage from *assay testing was not seen as a* serious problem by most.

The assay offices test each item from small batches of jewellery, and test samples from large runs of mass-produced *jewellery.*

It is this system the industry hopes will be adopted across the EC, but the EC may have other ideas. The competition directorate has suggested that it might be sufficient for articles to be marked by manufacturers, perhaps with an independent laboratory carrying out quality control.

A possible framework for future co-operation already exists, in the International Hallmarking Convention, signed in 1972 between a group of members and former members of the European Free Trade Area.

The nine IHC members have agreed to use common standards for hallmarking. Four are members of *the EC – the* UK, Ireland, Portugal and Denmark. The others are Sweden, Austria, Switzerland, Finland and Norway. Items marked in one country can be sold with*out further assay in any of the* others.

BRITAIN IN BRIEF

Classic FM loses top executives

Classic FM, the UK's first national commercial classical music station has lost its chairman and chief executive designate three weeks after beating a financial deadline *and winning the licence.*

Classic, which plans to be on air next autumn with a 24-hour service of light classical music, said Mr David Astor and Mr David Maker had decided not to join a newly constituted Classic FM board.

The reason given by Mr Astor, the businessman whose name has been associated with the Classic FM bid from the start, was that both he and Mr *Maker had decided to devote* their attention to other activities. This would "appear likely to prevent us from giving the necessary time to Classic FM."

Classic's decision not to go *ahead with a takeover of Jazz* and Buzz FM was almost certainly the main reason for the parting.

Labour wins property boost

The UK property industry would favour a Labour government, according to a survey carried out by Gallup, the research company.

The poll, which was commissioned by Chartered Surveyors Weekly, a magazine, found that 88 per cent of respondents thought that the present government was unsympathetic to the UK property market.

Lancet sold

The Lancet, one of the world's most famous medical journals has been sold to Elsevier, the publishing group based in The Netherlands. The price was *disclosed but it is believed to* have been about £13m.

Liberals plan banking reform

Policies for *promoting competi*tion in banking, including greater decentralisation, are being drawn up by the Liberal Democrats.

Mr Paddy Ashdown, party leader, *told the Confederation* of British Industry that Liberal Democrats are "the party of free enterprise and the market: tough on inflation, clear on competition, strong on enter*prise.*"

He warned of a possible "bleak mid-winter" for the economy. "If we do not get some improvement soon, then there must be a real risk that Britain is about to enter a period of two to three years of economic stagnation, with high, long-term, unemployment and economic growth rates way below their potential."

Ashdown: wants reforms

British Gas plans rail hub

British Gas has asked North Warwickshire Borough Council for planning permission to develop at a cost of £40m both a rail freight terminal to service the car industry and a regional distribution centre for its own use at Coleshill, a town to the east of Birmingham.

British Gas would use 26 acres of its 60-acre site, with the remainder being used for the car terminal, to be run by Railfreight Distribution, part of British Rail.

Phoenix Beard, the chartered surveyors which is project manager *for British Gas,* stressed that the car terminal, one of three in the UK planned by Railfreight Distribution, would go ahead regardless of any decisions about a Channel *tunnel freight terminal in the* area.

Thames TV to cut jobs

Thames Television, which lost its franchise last week to Carlton Communications, is to issue redundancy notices to 200 staff at the beginning of next month.

The 200, the first tranche of more than 1000 jobs, to be lost between now at the end of next year when the current franchise runs out, will leave at the end of January.

The group is a mixture of production and regional programme makers following the decision to scrap The City Programme, Thames Reports, Thames Help and Thames Action.

Teaching claim

The NASWUT teaching union, the profession's second largest, has submitted a claim for a two-stage 15.4 per cent salary increase. The union claim would give teachers with ten years' experience at least £27,000, and is in line with that submitted last week by *the National Union of Teachers.*

Liquidation at boat builders

Robsons Boat Builders, the South Shields company renowned for its lifeboats for more than a century, has gone into liquidation. Founded in 1830 to repair Tyne colliers, the north east company diversified into building ships' lifeboats and in recent years made and repaired boats for the Royal National Lifeboat Institution.

Managing director and owner Mr Maurice Brown blamed the company's closure, which has cost 20 jobs, on lack of orders due to the recession and the fishing industry's problems.

Cathedrals get more funding

Thirty five cathedrals, Roman Catholic as well as Anglican, have received £2m between them from English Heritage yesterday under a scheme to aid the repair of the fabric of *English cathedrals.*

The government agreed last year to provide £11.5m in grants over three years, with English Heritage deciding the needy cases. All but five of the *cathedrals which applied for* cash were successful.

Tarmac wins barrage order

THE £47m contract to build a barrage across the River Tees in north east England has been won by Tarmac Construction, the Teesside Development Corporation announced.

The publicly funded project, which will improve the river's environmental quality, is also intended to enhance the commercial attractiveness of the TDC's *adjacent Teesdale site, which former prime minister* Mrs Margaret Thatcher highlighted for reclamation in 1987.

The barrage scheme, to be built midway between Stockton and Middlesbrough, includes an eight span road crossing and improved road links between Stockton town centre, the 250 acre reclaimed Teesdale site and the Teesside Retail Park, another TDC flagship development.

Power groups resist refunds

The regional electricity companies of England and Wales were resisting calls for a refund to household customers after the regulator claimed they were over-charging.

Professor Stephen Littlechild, director general of the Office of Electricity Regulation, wrote to seven regional companies on Tuesday night warning they could overcharge customers by £100m this year because they had over-estimated the inflation rate in setting prices.

"This is a relatively small amount for us and would mean 12 pence a week off customers' electricity bills," said Mr John Deane, finance director of Southern Electric, which the regulator says is overcharging by £17m, "we would rather keep price *rises below the rate of inflation next* year."

£1,995 FHLD. NEVER ANY PLANNING TROUBLE ABOUT THIS HOUSE. It's exactly like its neighbours, & nobody could ever accuse it of being original, interesting or even attractive. All too solidly built in '05. Aircraft Executive & artist son have done best with tasteful interior. Mod. bathrm. 2 good rec. rooms, 3 nice bedrms., B'fast rm. Kit Recently redec. & re-plumbed. The gdn looks horrible, but so would you if you'd been neglected for 20 yrs. A fantastic bargain for the lower economic classes who don't take this sort of paper, but perhaps in the course of a fish supper . . .

IT REALLY MEANS SOMETHING SOCIALLY TO LIVE IN A FILTHY OLD GEORGIAN HOUSE IN FASH ISLINGTON. Liverpool Rd, N.1. is one of the filthiest we have had for a long time & must be a bargain. Base: 2 rms 15 × 12 & 12 × 10. Grnd: Front rm 16 × 10 & even a bathrm! Rear: STUDIO 2 intercom rms 30ft & W.C. All a *real* artist needs. 1st flr: 2 rms wld make Grand 24 ft Draw rm. 2nd flr: 2 rms 15 × 13 & 11 × 11. Also 2 storerms. If you've ever wanted to live on the Set of a Sean O'Casey play, here's your chance. PATHETICALLY CHEAP £9,955 EVEN TRY OFFER.

£2,990 ! ONE OF THE POSHEST PARTS OF LONDON. Rembrandt Close, Holbein Pl., S.W.1. In the rich environs of Sloane St. New ('62) Town House. 24ft. split level drawing rm., well fit. kit., 4 bedrms., fit. wdrbs., 2 mod. bathrms. Elec. CENT. HEAT. GARAGE. Our client Captain X, a *rich*, well connected *youngish Conservative* says quite frankly the house isn't good enough for him & as money doesn't really interest him he'll take a nominal £2,990 from the first decent chap whose face fits. Lse. 13½ yrs. ONLY £600 p.a.

ACTUALLY in corner of BEAUTIFUL RAVENSCOURT PARK, W.6, HARRY LOCK instructs us to sell his historic REGENCY (1805) WILLOUGHBY HOUSE (Charles Laughton lived here). Don't be misled by the exterior, its worse inside. But anyone prepared to decorate has the chance of a GREAT BARGAIN. A fine staircase, Spacious drawing rm. Dining rm/Kit. 6 bedrms, bathrm. PLUS magnificent 24ft. STUDIO formerly used by famous ACADEMICIAN. Gd. GARDEN. A rather eerie basement could be sublet but, say Council *"Not to human beings."* Only £8,990.

ONE OF THE FILTHIEST HOUSES I'VE SEEN FOR A LONG TIME. A crumbling corner PERIOD RES. There are many things that can be said about FASHIONABLE PIMLICO: Dingy, for instance. 9 rms (Some quite fine altho' they've kept coal in a bedrm & the Drawing rm chimney piece is sprawled across the flr.) Built in an age of elegance, contemporary I should think, with Emperor LOUIS PHILLIPE, *to restore it is* about the only challenge left to a rich young couple today. ONLY £8,450. Lse 80 yrs. G.R. ONLY £70.

HAIRY ADMAN forced sell modernised (thousands spent) PERIOD RES Broom Close, TEDDINGTON. STUDIOS. CENT HEAT. Clkrm. Elegant Draw rm to gdn of roses, lawn, fecund vine black grapes, ancient pump on wall & well. Din rm. 5 DBLE Bedrms, 2 BATHRMS one Psychedelic. New Superlux kit: a little of the gilt gone since the chip pan burst into flames on the split level cooker; b'fast bar. Secret trap dr to basemnt playrm/adult rumpus rm & other rms. (S/c FLAT for general sub-let?) GARAGE. BARGAIN £12,955 FHLD.

LAMBETH. FASHIONABLE ADDRESS with just enough proles to do the dirty work, give the place character & keep food prices low. Lady from The Office of Works & Gentleman whose firm built the first flying machine to cross the Atlantic, an all wood hand-cranked washing machine, have, for 30 yrs., lovingly preserved this spotless fin de siecle Fmly. Res. Draw. rm., comfortable din. rm., 5 bedrms., dress. rm. or single bedrm., bathrm., tiny nursery kit., b'fastrm., kit. to paved gdn. 2 warm inside lavs. & a perfectly good servants' one – outside. AN AWFUL LOT OF HOUSE FOR NOT MUCH MONEY. £8,255 FHLD. TRY ANY OFFER.

DERELICT DOSS HOUSE FASHIONABLE PIMLICO (will now only sell to gentle-people for single-fmly) 3rd Flr: 3 Bedrms. 2nd Flr: 1 big & 1 small dble Bedrm. 1st Flr: huge 'L' draw rm over 30ft lurking behind old newspapers, quite a charming early 19th Cent chimnypce. Rm at rear wld make bath-dress rm. Grnd Flr: 2 rms thrown into one abt 30ft. Rear rm (grnd flr Kit?). Basement – Horrible! (3 rms – all right. I suppose, if tarted up. Back yard with patch of earth & an outside lav which put the skivs firmly in their place on a cold wet night. Dirt cheap at £12,995. Bring your own torch.

FASHIONABLE PIMLICO. Early VICTORIAN TOWN HOUSE of 9 rms., 3 with pretty grim baths stuck in corner. Decorative defects include a fine growth of fungus on the wall of ground floor rear room. The first floor 27ft. drawing rm. is marred by the marble mantlepiece which has left its moorings and is sprawled across the floor. A fussy purchaser would presumably have the gaping hole in the top bedrm. ceiling – open to the sky – repaired. Lse. 80 yrs. G.R. £70. ONLY £8,650.

FASHIONABLE CHELSEA. Untouched by the swinging world of fashion, an early-VIC. lower-middle-class family dwelling, which has sunk to a working-class tenement (2 lousy kits. & 3 sinks). The decaying decor lit by "High Speed Gas." 6 main rms. & revolting appurtenances which cld. be turned into bathrm. & kit. I saw a *bare-footed schoolgirl (or student teacher?) sweeping* filth from rusty barbed wired playground (it's behind Limerston St.) through holes in the wall into the small back gdn. (sic) of this house – so the first thing to do is to fill in the hole. A few doors away new houses sell for over £18,000 & tarted-up twin houses to this one make almost double the modest sum asked for this dump. Lse. 51 yrs. £8,550 and try offers. G.R. £70.

FABULOUSLY FASH PIMLICO. Wonderful opportunity to secure this DESIRABLE RESIDENCE which has everything – dry rot, a settlement, filthy decor, running cold water – sometimes where it was intended, the soft glow of gas lighting & general air of decay which is irresistible *to the softened scions of the bourgeoisie, who* have never had it so good/bad. Basemnt: Front rm, damp wall & tiled slab chimneypce. Back addition rm with bath & geyser. Grnd Flr: Front rm with ceiling rose & original chmnypce. Small kit with aboriginal mini range. 1st Flr: "L" Drawrm with intercommunicating doors & original chimneypces painted over. 2nd Flr: Front dble bedrm with a hole in the ceiling. Rear single Bedrm. Tiny garden with struggling sycamore; indicating that *nature can overcome the folly of man – maybe.* SACRIFICE £14,500. 80 yrs. G.R. £90. Sayed Yousuf Mahmoud Bey will graciously admit you on Sun between 2.30 & 5.

FILTHY OLD HOUSE – FASHIONABLE CHELSEA – Preserved as of Architectural Interest – God Know's Why. Providing you have enough patience and cash wld make: 3 bedrms. 27ft L-drawing rm. a dining room, 1 or 2 bathrms., kit. The horrible patch of weed, refuse infected earth behind wld make a lovely – Gdn – maybe. Lease, 51 years. G.R. ONLY £80. A gift at £8,550.

£6,550 FHLD TRY ANY OFFER! All too solidly blt fin de siecle fmly res. "Not too desperately ugly" said University Lecturer in Psychology who has come to terms with life. "A Freudian might like it." Modernised & produces abt £1,100 p.a. as 4 furnished flats/flatlets: cld revert. Drawrm. Formal Dinrm/Library/5th bedrm. 4 Bedrms. 13ft 8 B'fast rm. Mod b & k. Glazed sunrm to gdn, overgrowth lawn, flowers, plum tree. Green vista o'er Playing Flds. 2 min walk Stn LEYTONSTONE. 16 min L'pool St, 27 min Oxford Circus.

FASHIONABLE CHELSEA. A clapped out EARLY VICTORIAN VILLA. Semi-detached so you can get your motorbike round to the dirty patch of weeds which passes for a garden. 27ft. double drawing rm., Dining rm. & dreadful basement kit. 3 bedrms. & room for a bathrm. if desired. Dirty, dark brown varnished woodwork dating back to the General Strike: Peeling wallpaper & plaster work (need redecorating). Look out for "Merulious Lacrymans." Quiet backwater abutting hospital laundry. Lse. 51 yrs. G.R. £80 p.a. Bargain £8,950.

FASHIONABLE CHELSEA. Shalcomb St. Early Vic PERIOD RES: end of terrace – you get a bulge thrown in. 8 big & 4 smaller rms. Some drs nailed up but can see 1st flr 27ft dble Draw rm, fine Period chmnypce lurks behind hardboard. Plumbing teeny bit primitive: skiv's chamberpot-scour*ing-sink offlanding. Surprisingly* Garden has saplings & emergent corms. 51 yrs. GR £90. Sacrifice £13,995 including lino on stairs. A good position in Society will enable you to fit in here: rather than more wealth. (Suggest you take hammer with claw if you want to see all the rooms).

ONE OF THE OLDEST & MOST LUCRATIVE PROFESSIONS IN THE WORLD. A CHELSEA ANTIQUE BUSINESS specialising in the sale of dwarf Frenchy tables for the Knightsbridge élite to perch their tely on. SHOP & 2 small rear rms. *SILLY SACRIFICE £1,475.* Lse 11 yrs. Rent only £250 p.a.

CHESTER SQ. BELGRAVIA. Under its mantle of dust & dirt this is a very fine house; there is even an air of aristocratic decay about the broken passenger lift. *"I'm afraid the lift is out of order we'll have to walk up . . ."* cannot fail to impress your guests. 5 principal bedrms., 2 staff rms., plus 3 attic rms., magnificent, vast "L" shaped 1st flr. drawing rm., about 35 ft., fine large dining rm., solid mahogany doors, study, a frightful old kit., 3 old fashioned bathrms. I suspect that under the grime, this eminent Banker's house is pretty sound; but better get a good surveyor. LONG 41 yr. lse. G.R. ONLY £100 p.a. Say, £19,995 but try any offer; owner might take a low price from deserving, but impecunious, young couple. Viewing Sunday 3–5. Knock 4 times.

These advertisements were created by Roy Brooks.

FROM 1950 to 1970 the Sunday newspapers were enlivened by an estate agent. Thousands turned to Roy Brooks classifieds before checking to see if a world war had started. Such is the power of the acerbically written word. Invest in newspaper advertising. If it can sell a derelict doss house in darkest Pimlico, it can sell anything.

PEOPLE READ NEWSPAPERS

This advertisement was placed by the Newspaper Publishers Association.

BUSINESS LAW

Pension planning put in limbo

By Simon Carne

PENSION schemes cost a lot of money and require a good deal of advance planning to ensure that funds are in place to provide benefits at retirement. It would be worrying if all the planning that has gone into the 75,000 or so company pension schemes that provide retirement benefits for some 10.5m UK workers were disrupted.

That, however, is what appears to be happening. A European Community sex discrimination law has thrown *into turmoil the whole basis* on which companies and their employees have been planning for retirement.

Currently, virtually every company pension scheme in the UK is in breach of EC sex discrimination laws. Although the pension companies are aware of this, they cannot put matters right because they do not know what they have to do to comply with EC law.

The most immediate source of this extraordinary and confusing state of affairs is a ruling *handed down by the European* Court of Justice in Luxembourg just over a year ago. In *Barber v Guardian Royal Exchange*, the court *ruled that pension schemes fall* within the provisions of Article 119 of the Treaty of Rome – which require that men and women should receive equal pensions, as well as equal pay, for equal work.

The court also held that, with effect from May 17 1990, the date of the judgment, individuals have an enforceable right to non-discriminatory benefits even though the national legislation of their country may exempt pension schemes from the equal pay laws.

The problem for pension schemes, and for companies that provide the schemes, is to know exactly what the court meant by "with effect from 17 May 1990". Does it mean that anyone who retires on or after that date is entitled to benefits that do not discriminate on grounds of sex? Or does it mean that only the benefits that *accrue* after May 17 1990 must not discriminate?

Clearly the second alternative would make less of a difference. Someone retiring on, say, June 17 1990 after 40 years' service, could claim only one month's benefit on the new, non-discriminatory basis with 39 years' 11 months' worth of pension unchanged, whereas under the first alternative, all 40 years' worth of benefits would have to be non-discriminatory.

To the layman, it might have appeared that the European Court had, in effect, introduced a new law: namely, that from the date of the court's judgment, *employers could not* operate discriminatory pension schemes. Strictly speaking, that is not new law. The court merely interpreted Article 119 of the original Treaty of Rome and said, broadly speaking, "with effect from today, individuals can enforce the true meaning of Article 119".

But the practical reality is that the court granted rights of enforcement that did not previously exist (those magic words "with effect from" today). To the ordinary person a "law" that *cannot be enforced is not* much of a law. So, viewed in those terms, the European Court of Justice has created new law.

If an English court were asked to interpret an English statute, the interpretation would apply from the effective date of that statute. An *English court would not* normally say: *"In future*, the legislation means..." But that is exactly what the European Court has done.

The reason the court gave for adopting the "future only" approach to its interpretation is that, in its words, "overriding considerations of legal uncertainty" meant that the court should not "upset retroactively the financial balance of [existing] pension schemes".

The reference to "overriding considerations of legal certainty" will have a hollow ring to the managers of UK pension schemes and their advisers for whom the judgment has created nothing but uncertainty and could cost UK pension schemes – or rather their sponsoring companies – more than £40bn if the Confederation of British Industry's provisional estimates are correct.

So how did this state of affairs arise? There is nothing new in Article 119 of the Treaty of Rome, which the UK signed when it joined the EC in 1973. Has the possibility that pensions ought to be considered part of "pay" escaped everyone's attention during these past decades until Mr Barber challenged his employer?

In fact, for more than 10 years the court has been asked this question but it was not until May last year that it delivered its thunderbolt. *That* the court could have taken so long to decide something so economically significant – in the UK alone – and yet so *apparently straightforward* as "pensions are a form of pay" must be a cause for grave concern.

Ten years ago two Lloyds Bank employees, a Mrs Worringham and a Miss Humphreys, sought to establish the right to no discrimination. Their case concerned only the contribution rates to their employer's pension scheme, but the questions before the European Court asked, in short, whether the employees' *rights and benefits* (or the *employer's contributions to the* scheme) constituted pay under EC law.

But the court chose to avoid the general issue and answered *only in the specific terms* which related to the rather unusual conditions of the Lloyds Bank scheme. Victory for Mrs Worringham and Miss Humphreys, but so far as other pension schemes were concerned, little light was shed on this vexed and critical question.

Several other cases followed over the next 10 years and greater rights of equality were gradually established. For example, in the *Marshall case*, it was held that employees of the state and its organs could not be forced to retire from work at ages that depended on their sex. But, though the court ruled on retirement age, it still did not rule on the pension benefit.

So Mrs Marshall was entitled to continue in employment until the retirement age of her male counterparts but could not insist on the right to continue accruing a pension if the employer chose otherwise. Despite being presented with this and other cases, the court declined to rule on the pension benefit – until last May and Mr Barber's case.

Yet while all this has been going on, not only have the national legislatures been passing legislation which does not require equal pensions – for example, the UK's Equal Pay *Act 1970* through to the Sex Discrimination Act 1986 – but *the European Commission* itself has issued directives that require a less onerous degree of equalisation than the overriding Article 119 apparently requires.

For example, the 1986 EC Directive on equal treatment for men and women in occupational pension schemes *exempts, among other things*, age-related differences. So, under the terms of the directive, pension schemes can specify, for example, that men can earn a pension up to age 65 but women only up to 60.

A draft directive first published in 1987 might have removed that exemption if the directive were ultimately to be approved unamended (which was far from a foregone conclusion). But now the Barber case apparently renders the 1986 directive and the 1987 draft *redundant*.

The European Court has said that employers cannot rely on the more restrictive – and more precise – wording of a *directive, which is overridden* by the direct effect of Article 119.

If the EC's intention is to have non-discriminatory pensions, the sensible way forward is to decree just that and give employers an opportunity to alter their schemes accordingly. Few employers can afford, at a stroke, to let men retire on full pension at age 60. A compromise uni-sex retirement age would likely be adopted by most schemes.

To discover that, "with effect from" May 17 1990 non-discrimination is a right, means that comparability will always be "upwards". Men and women will choose the best aspects of the opposite sex's benefit package and demand it for themselves.

The "bit by bit" approach to interpreting legislation, gradually extending the interpretation each time, is not usual in the UK. It is no wonder pension scheme managers have been driven grey-haired with frustration. *If it* is true that whom the Gods would destroy they first turn mad, perhaps pension schemes in the EC are destined to suffer a mortal wound from the blow of a *bill* for £40bn.

The author is a principal in Putnam, Hayes & Bartlett, Economic and Management Counsel.

CONTRACTS

Expansion scheme at paper manufacturer

Grampian based paper manufacturer, *Tait Paper, has* commissioned R.J. McLEOD, Glasgow, to carry out the construction of a £13.1m combined heat and power plant on site. *The powerhouse, which will be* in use by April 1992, is part of the mill's £45m expansion programme.

Phase one of this facility will *produce 19 megawatts of* power, from which the mill will require 16 megawatts by completion of the expansion programme. The remaining three megawatts will be sold to Hydro – Electric.

The three new turbines being installed for this facility are two Ruston Tornado gas turbines/alternators with a 6.3 nominal megawatt output each, and one NEI Allens steam turbine with a 10.3 megawatt output. Two Senior Foster Wheeler *100,000 lbs per hour* rated waste heat boilers are also being installed. At phase one production levels, the steam turbine should produce seven megawatts.

North Sea project

British Gas Exploration and Production, part of British Gas, has awarded a contract worth nearly £9m to SLP ENGINEERING to make equipment for a platform for the North Morecambe gas field.

The platform jacket and piles will be used on a drilling and production platform which will be part of the field offshore north-west England.

The first gas from the field, which contains more than one trillion cu ft of gas, will be produced towards the end of 1994. The project will cost £500m, including £220m on offshore construction and installation.

Eurodisney plan

RIGIDIZED METALS, the patterned and strengthened metals specialist of Enfield, Middlesex, has won a contract worth £640,000 to supply coloured, patterned and polished stainless steel as roof and column cladding for the Eurodisney theme park currently being developed outside Paris, France.

The order, won against international competition, is for the supply of 23,000 sq metre metal sheets for the Centre de Divertisements - the entertainments centre - at Eurodisney.

Half of the 15,800 sheets to be supplied are of 0.45mm thick stainless steel (type 316), cold rolled with a new quilted pattern and treated in Rigidized *Metals' Colourtex* plant to produce a gold colouring, both pattern and colour designed especially for the Eurodisney project.

The other half of the contract is for similarly quilted, polished uncoloured stainless steel. These sheets will be erected to form gold and silver diagonal stripes along roofs, walls and support columns around the centre.

£6m orders for Try

Contracts worth £6.6m have been awarded to the TRY GROUP for national and international clients including Midland Bank, BP and Pfizer. Try Build's contract for Midland Bank involves the substantial refurbishment and fitting out at its City headquarters in Poultry, EC2. The award follows a series of contracts with Midland including district service centres at Camberley and Hemel Hempstead, a corporate banking suite in High Wycombe and the term contract to maintain the bank's properties in central London.

BP International has commissioned Try Construction to build 12 houses and 32 apartments in Sunbury at a cost of £2m.

Public payphones

LANDIS & GYR COMMUNICATIONS has won a contract from BT, initially worth in excess of SFr25m (£10m) for the supply of a new generation of public payphones. The payphones, scheduled for roll-out in 1992, will provide customers with a choice of methods of payment, including coins, optical prepayment cards and credit cards.

Supplying turbines

W H ALLEN, part of NEI Allen, has been awarded a contract worth about £5m by Vickers Shipbuilding and Engineering of Barrow in Furness. The contract is for the supply of turbines, generators and spares to the Royal Navy with deliveries phased over a two-year period. NEI Allen is part of Rolls-Royce.

MANAGEMENT: Marketing and Advertising

Promising perfection from a piece of plastic

David Barchard assesses the latest American Express campaign

"... And they'll expect every one of a million transactions they'll make today to go smoothly, every request to be met in full, and every call for help to be answered... before this day is done."

Some boasts sound more like cries of desperation. Consider the case of American Express which is currently telling television viewers of the lengths its 50,000 employees go to each day.

American Express is no longer saying that its card just does nicely. It proclaims that it operates to near perfection in all the countries of the globe.

"This unique standard of service does not vary one iota, from day to day, from city to city, in all the countries of the world," declares American Express proudly.

After a wretched summer for American Express during which it has been bombarded with unfavourable publicity about disgruntled restaurants and losses by its US parent, viewers could be forgiven for thinking that American Express is striking back.

John Crewe, American Express's managing director in the UK, denies that the campaign is a response to the bad publicity, which he describes as a small voice, though one that American Express takes seriously.

"This is our first major campaign for 18 months and it has been a long time in the planning," he says.

Its declared aim is good news for retailers which accept American Express cards: to encourage card-holders to start spending ahead of an economic upturn that American Express believes will arrive in the spring. The European campaign is already running in five countries apart from the UK.

It includes "Day in the Life", a 60-second TV spot described by Julian Saunders of Ogilvy & Mather, the agency responsible, as having an elegiac or hymn-like tone.

But can American Express deliver anything that the competition cannot? "I certainly don't think that an American Express card can do anything that a Visa or MasterCard cannot," says Ian Lindsey, director at Save & Prosper, a credit card issuer that also targets high-spending beautiful people. He believes that American Express is coming under growing pressure as the credit card market becomes saturated.

Crewe does not agree that the latest American Express campaign is defensive or prompted by pressure from Visa and MasterCard. "Our total UK card base is more or less stable at 1.1m or 1.2m," he says.

What of revolts by leading hoteliers and top restaurant-owners such as Michel Roux who, last month, announced that he was exasperated by the higher American Express charges and would take the American Express card no longer?

"We don't like the publicity but he is one individual whom we have not been able to convince of our story for a long time," Crewe says. "Our merchant base is not shrinking. In 1991, over 20,000 new establishments welcome the American Express card, bringing the total number of locations where the card is accepted in the UK to close to 180,000."

Boots, the UK retail chemists, and Mothercare, the mother and babycare chain, have joined the list of places where the green card does nicely, despite a retailer commission of around 4 per cent, two or three times the average charged for Visa or MasterCard.

"We were obviously concerned that criticism in the press of American Express by highly visible restaurateurs might overshadow the fact that the card is widely accepted in leading restaurants," says Crewe. Hence press advertisements announcing that famous restaurants welcome the green card.

What about the promise made on TV that every call for help is answered before this day is done? Lindsey says that American Express's pledge to replace lost or stolen cards within 24 hours is by no means unusual.

Both Visa and MasterCard are also committed to replacing lost customer cards in an emergency within one business day. Barclaycard, the largest UK credit card, gets its customers emergency cash by courier with no extra charge. MasterCard actually fines banks $1000 if they fail to deliver.

However, Crewe points with satisfaction to American Express's tracking of its performance in this area: its own records show that close to 100 per cent of stolen or lost cards were replaced within a day.

My own experience on holiday last month in the Mediterranean as a card-holder was rather different. My wallet was stolen and my call for help was definitely not answered. Despite repeated entreaties, American Express not only did not replace my card or get emergency cash to me, they did not even call me back.

Crewe looked uneasy. "I'm sorry. You were one of the ones we messed up on." My calls for help, relayed by a US platinum card holder, had been mistakenly diagnosed as a possible fraud and pigeon-holed. He was very sorry but it was an extremely unusual occurrence.

And why then had it taken not 24 hours but three weeks for my replacement card to appear? Crewe sheepishly confessed that my new card had been transferred to his personal office for safe-keeping, apparently because American Express was worried that I might cut it up and send it back – yet another small detail that the vast worldwide team had taken care of.

We warmly welcome only one card, the American Express Card

Who's got a ticket to ride?

Cliff Richard fans had better hurry to buy tickets for the evergreen bopper's next UK tour. Tickets went on sale last Saturday for a series of Wembley concerts in November.

November 1992, that is.

The decision to sell tickets 13 months in advance appears to be unprecedented for a rock concert in Britain, where six months is the norm. But it may be the way of the future.

"This is an unusual lead time," says a spokesman for Wembley Arena, Richard's London venue. The longest advance ticket sale he recalled was nine months for Chris Rea, "but then Cliff is a special artist." So special that fans were camping out at Wembley and at the National Exhibition Centre in Birmingham a week before the tour was announced, simply on rumours of a tour.

Mel Bush, who is promoting the tour along with The Cliff Richard Organisation, says: "One year in advance is unique in rock and roll. But Cliff is the biggest concert attraction in Britain. He's got such a good fan club organisation – the fans start ringing up the venues wanting to know when tickets are on sale. This has been done at the request of his fans."

But Christine Whitehead, secretary of the UK branch of the International Cliff Richard Movement – the fan club – says many are unhappy at having to buy tickets before Christmas. She denies that the club leaked the news.

The promoters argue that selling tickets now means fans have longer to buy them. "Cliff fans are thanking us," says Bush. "They've got all year to buy tickets." Lyndon Jenkins of Birmingham's NEC says he expects the tickets to sell out in a few days.

If the promoters go by the turnout last year, when over 400,000 people came to see the star perform, that means an awful lot of advance ticket sales. Tickets then went on sale eight to nine months in advance. The long lead time also allows the promoters, who have an option on further concerts, to announce them later, if necessary. "Promoters are searching for ways of selling more tickets," Bush says.

And making more money. Getting in well over £5m in hard cash which earns a nice safe rate of interest over the next year is the easiest part of promoting a pop tour. Wembley will expect some cash up front as a deposit but it still means an early pay day for Bush. The practice of promoters expecting ticket money well in advance of a show is coming under mounting criticism – especially when the concerts are eventually cancelled, as has happened with Prince more than once.

Fans who are annoyed at having to fork out £17.50 or £19.50 plus a £2 booking fee so far in advance - thereby losing the interest for a year - may find little consolation in Bush's point that the tickets are well-priced compared with those for other stars. Tickets for Dire Straits were over £20, Barry Manilow, £22 and Diana Ross, £25 and above.

Scheherazade Daneshkhu

Skin-care

Why men are getting the treatment

The potential for expansion of the market is considerable, reports **Tim Lawrence**

The "new man" of the 1990s may be thoughtful and caring, but he is thick-skinned, according to leading cosmetic companies in the UK.

Several cosmetic companies have seized on the "discovery" that a man's skin is thicker than a woman's to develop special men's skin-care ranges. While the female skin-care market is saturated, the potential for expansion in the men's sector – worth about £300m – is considerable.

But claims by the cosmetics companies to have uncovered these differences amount to nothing more than a marketing trick, according to Dr Ian White, a consultant at the St John's Dermatology Centre in St Thomas's Hospital. "If you compare a man's and woman's skin under a microscope you would not be able to tell the difference. No special treatment is needed for either type," he says.

In most cases male skin-care products are simply repackaged female lines. Nevertheless, the traditionally coy and conservative British man is responding positively to the new sales pitch.

According to Jamie Bill, publisher of Esquire, a magazine for men, the skin-care market in the UK has been a late developer. "Continental men have been buying skin-care products en masse for years. The US man was converted in the mid-1980s. Now the British man, who has been using his wife's or girlfriend's products for years, is coming out of the closet," he says.

The concept of male skin-care is not new. Endocil, a UK cosmetics company, introduced men's products 30 years ago, but the range flopped. "It was probably ahead of its time," says Sally Hunt, senior product manager at Chefaro Proprietaries, which produces the Endocil range.

In 1965, the cosmetics company Estée Lauder successfully introduced the Aramis brand in the UK. In 1973 Clinique, another Estée Lauder brand, launched Clinique for Men. Lauder For Men – another Estée Lauder product – Roc Pour Homme, Almay Skincare for Men and The Body Shop's Mostly Men were all introduced in the late 1980s.

Now mass market companies such as Boots are setting their sights on men. Boots is introducing Men's Natural Balance in November, which will include cleansing, grooming and shaving products created in what it claims is an environmentally friendly way and without cruelty to animals.

Karen Standland, group buyer at Boots, makes much of the green appeal of the new line. "Research shows a strong propensity for buying green products if their cost, performance and packaging are as good as other toiletries," she says.

The new line does not pretend to offer any special ingredient for treating thick, oily, men's skin. "Skin is skin," says Standland. "There isn't a moisturiser that will work better on a man than a woman. Women like creams and men prefer gels, but the cellular structure of skin is the same."

Other cosmetic companies claim they have developed a "magic formula". Lesley Balls, general manager of Aramis, says her brand has a leading technological edge. "You cannot get away from the fact that men's skin is different and it needs to be treated in a different way in terms of ingredients."

Roc, the leading French range of "hypo-allergenic" skin-care products which are formulated to minimise the risk of allergy, makes less ambitious claims about its potions. While Roc Pour Homme uses the some ingredients as other Roc lines, the formulation is altered to take account of the difference in male and female skins.

Clinique says that male and female skin types are basically the same and as a result Skin Supplies for Men is almost identical to the original Clinique range. The only difference in the content lies in the scruffing lotion formulation, which is slightly stronger than the equivalent female clarifying lotion.

What is often involved in the development of male skin-care products is the repackaging of female lines. The repackaging involves using more masculine colours – Roc comes in striking dark turquoise packages, Clinique in grey flasks with pewter lettering, Lauder is dressed in deep green and the Aramis range is deep blue.

The packaging is also practical. "The packaging has to suit men's lifestyles. Men tend to travel on business more than women and they also go to the gym, so the products have to be easy to carry around," says Erica Dreibholz, PR manager at Clinique.

The terminology has also been adapted. Clinique talks about "supplies", not "products", the moisturising lotion is called M-Lotion and the women's Clarifying Lotion becomes Scruffing Lotion.

Almay has taken the process of repackaging one step further. It claims that pink containers are not the only deterrent to men buying skin-care products; the process of buying items at cosmetic counters in department stores is also perceived as being feminine, so the brand is sold in stores such as Superdrug, Safeway and Waitrose.

Despite these efforts, it is often women who buy skin-care products for men. Neuman says: "We found in our Lauder and Clinique ranges that women would often make the first purchase when they heard we had a special men's range. We hope the man will come to the counter the second time."

He does not buy on impulse – unlike a lot of women. He wants to know why it works and how it will benefit him. If this can be illustrated, he will buy the product, irrespective of price.

This appears to have been illustrated. Prices are high – often £10 a bottle or £50 a range, some of which could only last for about a fortnight – but even so the market in men's skin-care products has doubled in the past five years, according to Aramis.

There should be room for further expansion. Last year men spent £42m on women's skin-care products, accounting for 11 per cent of that market and a rise of 37 per cent on 1989. Moisturisers accounted for a third of these purchases.

TECHNOLOGY

Q8

COMPANY SNAPSHOT

Kuwait Petroleum International was founded in 1983, as an affiliate of the state-owned company Kuwait Petroleum Corp.

KPI has 12 affiliated companies worldwide: KP Benelux, Denmark, France, Germany, Hungary, Czechoslovakia, Thailand, Sweden, Italy, Spain and Kuwait Petroleum (GB). The UK business is based in Staines, Middlesex.

Nature of Business: Oil, "downstream" marketing and retail. Production and distribution of refined oil to customers through a retail network. The Q8 brand, launched in 1986, was the first new brand in Europe for 15 years. Major competitors include Shell, BP, Mobil and Esso.

Kuwait Petroleum (GB): UK turnover: £140m in 1990. £162m in 1991.

Employees: 800 including company-operated service stations. More than 65 per cent of the UK company's business is in the retail sector, with more than 900 service stations throughout the country.

The Pace brand was introduced recently for smaller (typically rural) suppliers. Kuwait Petroleum GB also supplies jet fuel to the aviation industry at several UK airports, and has entered the diesel market, which now accounts for 3 per cent of the company's turnover.

TECHNOLOGY FILE

Software: Tetra Chameleon accounting modules, used at most locations throughout Europe (ledgers, system manager, cash book, fixed assets, report writer, BACS, interfaces with Informix database).

The specialist Fuel Trader system from Radius deals with sales order processing, stock and credit control, and provides a sales ledger.

Suppliers: Tetra, Maidenhead 0628 770939. Radius, Hull 0482 227181.

Installation date: Jan-June 1990.

Software Cost: Total implementation cost: £200,000. Tetra package £50,000, Radius package £50,000. Consultancy, tailoring and customisation £100,000.

Software maintenance cost: £24,000 for Chameleon and £14,000 for Fuel Trader, annually. Hotline and modem support, bug fixing and enhancements.

Hardware configuration and cost: Pyramid MI Server 12/04, supporting 300 users, costing around £400,000.

To augment the FT's coverage of Software at Work, the Technology page begins a series on getting the most out of computers. **Claire Gooding** examines Kuwait Petroleum

Premium fuel keeps the engine running

Information technology was vital in helping Kuwait Petroleum International to survive during the Gulf war.

Fire, flood and even terrorism feature in most companies' disaster recovery plans. Invasion by a foreign power and the total destruction of the company's worldwide headquarters are beyond the worst nightmares of even pessimistic IT planners.

Yet thanks to the smooth running of financial and management information systems, Kuwait Petroleum managed to keep the confidence of its customers and suppliers, and even expanded its operations during the Gulf war.

Due to a strategy formed six years previously, KPI was able to respond to day-to-day problems with accurate management information, re-stocking its Q8 branded service stations from other supply sources in a crisis which affected the entire marketplace.

The freeze on Kuwaiti assets after the invasion raised questions about ownership. Was KPI now an Iraqi asset? Authorities such as the Treasury and Bank of England had to come to grips with the size and extent of KPI's operations in oil exploration, production and – more visibly – its widespread European retail and marketing activities.

"The main problem was the length of time it took to get difficult decisions made," says Chris Taylor, finance director of Kuwait Petroleum GB, the UK company. "As a deliberate policy, we used the IT systems to keep to contract dates and pay people on time, building confidence among customers, staff, and suppliers. As an extension, we were able to manage the cashflow well, with daily information on such elements as credit control."

The crisis threw into relief the effect of the open systems strategy first implemented by KPGB. The UK company bought in software packages and further developed them with its own customised system extensions.

This formed the basis for European-wide standardisation. "It helped that we had developed user information, company intelligence and were so well-entrenched in the system. We knew our stock levels and cash position. We knew just what our situation was, with daily information, which was critical," explains Taylor.

In terms of the smooth running of the company, the war seems to have been a mere blip. Taylor stresses the next stages of the IT plan – a sales information system, marketing information for management, databases of sales prospects and daily information for salespeople on the road. "By November we'll be able to see the profit contribution of each customer. We already have a logistics database that tells us the cost of delivery to any location."

KPGB seems to have cracked the problems of multi-currency operations and international reporting at minimal cost. The entire UK implementation including staffing cost an estimated £1.5m.

Taylor believes his company's IT costs undercut the competition by a half to a third. BP's recent conversion to open systems for its European operations (admittedly on a larger scale, in Europe's largest software spend on a single project) suggests that KPGB's bold step, so early in the open systems game, was in the right direction.

Most of KPGB's 760 dealer-owned and 84 company-owned Q8 outlets were built up through a series of acquisitions, starting in 1986-87. As a result KPGB had to start almost from scratch in IT terms, since each acquisition brought with it its own proprietary system, including Wang, Data General and Burroughs minicomputers, and ageing personal computers. The new Q8 IT policy centred on flexibility, cost control, service to users, with the ability to upgrade to any size.

The move to open systems was a bold decision. Despite widespread lip-service to the concept of running Unix as a standard operating system, its adherents were still struggling to prove the point against proprietary systems. The necessary Unix skills were scarce. Cost, and the learning cycle, ruled out a Unix translation of another existing system. "The package approach proved cheaper than a translation, so we chose Tetra and Radius, which could both provide Unix expertise, consultancy and support."

Although a single supplier would have been preferable, the current system is built on a combination of two packages. The Radius Fuel Trader package, written specifically for the fuel industry, provided industry-specific sales order processing, stock credit control and sales ledger, but was considered by the accountants too insufficient for all Q8 accounting needs.

Tetra's Chameleon package offered links to the relational database, Informix, and to the chosen office automation software, Uniplex. But the acquisition of the package was only half the cost.

KPGB estimates that it has spent as much on subsequent customisation and tailoring of the Radius and Chameleon software as the packages cost initially. "If we started again, I think I'd try to pick up international packages which need no modifying," says Taylor.

Nigel Crabb, financial accountant, specified a number of additions and changes to the Chameleon sodtware, but is generally pleased with the ledger facilities, and particularly likes the level of user friendliness. "The report writer is terrific. We use it a great deal."

He also praises the ease of integration, allowing the businesses to be viewed as legal entities, divisions, revenue or cost centres. The latest challenge is integrating a newly acquired company, and 20 new service stations, into the structure.

For Taylor, "rapid build" is one of the advantages of the system. "We don't have programmers, just project teams who understand the business and can cut code when required." Staff have been "grown" and trained both in-house and by Tetra and Radius. One project leader started in the postroom and the IT secretary is now responsible for much training of outside distributors.

The IT culture is spreading beyond the office. All white-collar workers already have desktop terminals, according to Taylor, and the European offices are kept in touch via electronic mail. (The stand-alone PC never gained more than a toehold: there are remarkably few to be seen.)

The systems built by KPGB cross international frontiers. For example, the international diesel system allows truckers to refuel at large European truck stops by using cards which charge the transaction back to headquarters in the appropriate country and currency.

Graham Smith, KPI IT director, is clear about the benefits of the open systems policy over proprietary software. "It has given us a better return on investment, but more important, it has brought about a closeness between our business groups and our systems groups."

There were problems with the "user first" approach, and it took a while, he admits, for the programmers to realise that the strategy was aligned with business projects, rather than data processing objectives. But the re-education has paid off. "We are much leaner in the open environment – and we now have the ability to correlate business strategy with the IT strategy."

The series will continue on the Technology Page next month. The quarterly review of software at work will appear on December 6.

The international diesel system enables truckers to refuel automatically

■ BUZZWORDS

A *HOT STANDBY* is a second computer, only brought into play in a crisis, with the minimum of disruption: the changeover takes around three seconds.

A WARM STANDBY takes longer: the whole systems has to be turned off, or powered down to implement it.

CONSULTANT'S CRITIQUE

THE BIGGEST factor in Kuwait Petroleum's success was the decision to operate on an open systems platform. Whether it was a correct decision is irrelevant; more important is that a decision was made. Far too many companies dither or endlessly hedge their bets against technology changes.

As it happens, an open systems strategy was an effective one for the size of the company. The Pyramid hardware will allow a reasonable growth path for the next five years or so. At that point the system will look dated anyway and revisions can made as required.

The company achieved a good balance between standard packages and bespoke work. It customised the bits that were specific and left alone those that were generic. KPGB avoided the temptation to go it alone and produce a highly specific system. If it had developed the software in-house, the costs might have tripled. Many companies never complete such projects at all.

However, KPGB must beware of painting itself into a corner with upgrades. Customisations may make it impossible to take an upgrade. The software can then lag behind important improvements – especially those required when legislation changes.

The company's approach to problem solving is an example of excellent working practices. Cross-departmental teams have been advocated by many managerial experts. KPGB is using them to good effect, which means that everybody focuses on the solution rather than the problem, the technical niceties or the cost in isolation. It has other knock-on benefits on morale and in maintaining a climate of change.

The most reassuring time for any IT manager is when the system survives a crisis. The Gulf war had no direct impact on the business since KPGB is a retailer rather than a producer or refiner. Nevertheless, there was a tricky period when confidence in the company was shaken. In this case, the computer system allowed payments to be made to maintain the suppliers' confidence during the period of uncertainty.

The system has potential for improved security. The use of the second Pyramid system has not yet extended to any dual operations such as "hot" or "warm" standby. The common network link does mean that operations could be transferred on a limited basis in the event of significant hardware failure.

My overall impression was that good decisions had been made at the outset. The focus on its business needs rather than on the technology was encouraging and its commitment to solutions with minimal manpower was an example to some of its larger competitors.

Kevin Grumball

The author is a consultant with Software Design and Construction, of Milton Keynes

ARTS

First rate: Felicity Kendal and Paul Eddington

Tartuffe

PLAYHOUSE THEATRE

Have you seen the posters for this production of Molière's *Tartuffe*? A man's teeth are bared in a snarl, but a few inches away he holds a mask, whose features show a calm-lipped smiling benignity. Malice and hypocrisy. It's a perfect image for the Tartuffe of Molière's classic 1669 comedy, who coldbloodedly uses a facade of piety to mask his lecherous, moneygrabbing and vindictive schemes.

But that's not how John Sessions plays him in this staging by Peter Hall. His is an oddly mild, blurry performance. He adopts a good Scots accent but – unlike, say, Beryl Reid's Madam Arcati and her Morningside "ectoplasmic *manifestations*" – fails to make much humour from it. And when he's unmasked, he carries on in the same soft-focus way. Is Sessions deliberately trying not to make *Tartuffe* one of his one-man shows? Or is Peter Hall trying to place Tartuffe in some new light? Sessions was much more dangerous as a crazily camp version of Molière himself, last Saturday on Radio 4's *Loose Ends*.

Still, *Tartuffe* without Tartuffe is not *Hamlet* without the Prince. (He only appears in three of the five acts.) Molière's play remains delicious, Ranjit Bolt's new rhyming translation is full of hilarious and idiomatic cleverness, there are many stylish virtues in Hall's staging, and the performances of Felicity Kendal and Paul Eddington as the maid Dorine and master Orgon are first-rate.

Eddington is today's master-player of 17th-century Pantaloon roles. His whole character is there in his first entrance, frail and ludicrously impulsive as he shuffles quickly in on his high heels and bent knees. Then, as he launches into praising Tartuffe ("If you knew the man, you'd be captivated too"), he swings a leg with a sudden merriness that tickles the audience pink. Just the way he listens is a hoot. His head sticks out like an old tortoise's, his brows lower, and his eyes widen.

As for Felicity Kendal, she keeps on widening her range with marvellous authority and ease. I love the way she has let the bubbly soubrette charm of her youth deepen and gather force. Here, as Dorine, she's the household's shrewd and irrepressible lynchpin. Her very walk shows good sense; when she listens, she's alert to every nuance. And she's the most natural person onstage. Peter Hall has the whole cast using a rich array of lively gestures – a particular delight to me – and Kendal is the exemplum. She knows just how much weight to give an arm movement to make it register in the theatre and just how long to hold it.

The fine supporting cast includes especially fine playing by Nicholas le Prevost as Cléante, Abigail Crittenden as Mariane and Jamie Glover as Valère. In general the many qualities of this staging point up the few glaring faults. Sessions is the only player not to show a lively period sense. It is fun to see Dulcie Gray as an old dragon, a virtuous Carabosse, but she has been saddled with a truly crass slapstick.

Ranjit Bolt's translation, as I've said, is smart and funny. ("You're to be Tartuffified.") It isn't, however, as good Molière as it is Bolt. Bolt is the most quotable translator around, but, like his rival Jeremy Sams, he can't help drawing attention to his own cleverness. ("I must say my/ Erotic tinder isn't half so dry.")

And the worst fault of this production is how often its actors pause in mid-clause at the end of lines. "What earthly happiness is equal to/ (*wait*) The happiness of being loved by you?" Everything about the rhythm keeps saying to us "Applaud this rhyme."

Alastair Macaulay

BP Peter Pears Award

QUEEN ELIZABETH HALL

First prize of the third BP Peter Pears Award went to a singer whose richness of talent seems so obvious that any other result would surely have provoked popular outcry in the packed QEH. She is the very young (24) Swedish soprano, Ann-Christine Göransson, and she is headed for an important career.

This excellently serious-minded competition, which (with the example of Pears as its guiding light) determines to scrutinise musicianship as closely as other components in a singer's makeup, sets its four finalists a double task – songs with piano (including the competition setwork, a rare, early Britten song) in the first half, and arias with orchestra in the second. Miss Göransson proved her vocal freshness and candour with a clear, unforced and utterly scrupulous approach to both.

It was, however, when she came to sing Mozart ("Per pietà") and Debussy (Lia's aria from *L'Enfant prodigue*) with the ENO Orchestra under Charles Mackerras – a chivalrous, tender accompanist for all four young voices – that the full extent of the soprano's promise was most fully unfolded. Notwithstanding brief, forgiveable moments of tightness at the top, this is a voice that is already capable of floating, shining, riding easy on long phrases, sinking itself into the spirit of the music with a quality of relaxed assurance, that promises growth and amplitude in abundance.

This is a voice, one felt, from the land of Birgit Nilsson. I hope Miss Göransson will use her prize money (£5,000, a correctly un-earth-shattering amount) for further study – her Italian enunciation badly needs sorting out. But otherwise, the convention whereby critics automatically bewail the choices of competition juries must here be ignored.

Slightly more open to discussion was the placing of second and third prizewinners – William Dazeley (second), an already solidly routined English performer with a confident manner and a useful but rather uningratiating baritone, and Nathan Berg (third), a Canadian bass-baritone whose beautifully lyrical, sensitive approach to both songs and arias seemed intermittently undermined by technical flaws.

Was the panel of judges – chaired by Sir John Tooley, and including Galina Vishnevskaya, Anne Howells and the *FT's* own Richard Fairman – right to favour steady experience over striking promise? It's always a difficult point.

Max Loppert

CINEMA

On the death and murder merry-go-round

HOMICIDE
David Mamet

DEAD AGAIN
Kenneth Branagh

MORTAL THOUGHTS
Alan Rudolph

DOCTOR PETIOT
Christian de Chalonge

BOYS N THE HOOD
John Singleton

FLIRTING
John Duigan

An arrested murderer is running amok in a Baltimore police station. Detective Joe Mantegna fires off a volley of F words and plaintively screams "You tore my holster! I've got work to do!!" The murderer collects himself enough to retort "Some day I could tell you the nature of evil." "Then I'd be out of a job" snaps Mantegna.

David Mamet's *Homicide*, like the week's other American murder thrillers *Dead Again* and *Mortal Thoughts*, is a big dipper ride around the human brain. Death brings out the worst and best in us, and every shade in between: which is why movies are so addicted to it. Licensed to exceed by the excess of murder itself, the plots of these films rollercoast through different moods and patterns of human behaviour as if there were no danger signs or dividing lines.

Homicide starts out as the most sombre of the week's switchback rides. Writer-director Mamet pushes his Jewish cop hero, played by laconic, bird-lidded Joe Mantegna, into one of those once-in-a-career dilemmas we hope never hit us. Two jobs are colliding. If loyal to his colleagues, he must pursue a major drugs case about to climax in a cop-killer's arrest. If loyal to his Jewish origins, he must investigate a murderous anti-semitic group whose threatened victims play on Mantegna's own reluctant faith. "Anti-semitism's lasted 4000 years" he finally barks to a Jewish girl; "we must be doing something to bring it about."

So far so cogent. But *Homicide* is soon taking so many weird swerves that it threatens to derail itself even from its own Luna Park plotline. A model train shop conceals Nazi secrets; an indecipherable codeword might mean "Hitler"; a slain Jewish shopkeeper turns out to have been a gun-runner. Less controlled than his *House Of Games* or *Things Change*, Mamet's film tries to switch points into a neo-Nazi potboiler and then ends with a *French Connection*-style action pile-up as gun battles converge and bullets rip.

Too many plot ideas are better than too few; but *Homicide* still plays like several fairground rides rolled into one. Its subtler musings on race, bigotry and conflicting loyalties are drowned out by the carousel music and the giddy screams of the motion-loving customers.

Dead Again, directed by Kenneth Branagh, is a day out at the fair for the man who made *Henry V*. Off to Hollywood he goes with wife Emma Thompson in tow, to direct and star in the tale of a Los Angeles private eye (Mr B) who romances a bewitching amnesiac (Miss T). Might they each have had past lives? Could he once have been famous composer Roman Strauss (Branagh with beard in flashback) and she (Thompson with whirligig ringlets in ditto) his scissors-murdered mistress?

Or could it be vice versa? Camp-mannered hypnotist Derek Jacobi offers to find the answer, but by the time he has succeeded – all those guttering candles and "You are feeling sleepy" routines – it may be too late. The scissors will be wielded again and screams will ring out from the Art Deco-Hispanic palaces every character, no matter how humble, seems to inhabit.

This tripe is directed with huge enjoyment by Mr Branagh. As with all connoisseur movie follies, from Hitchcock to Welles, we enjoy the things we do not understand as much as those we do. Why does an uncredited Robin Williams pop up as a psychiatrist living in a meat-storeroom? Why did Andy Garcia accept the ten-minute role of an ill-shaven newshound with an unidentifiable accent (Transylvanian?). Why – but why go on. If we knew the answers, we would not stay to be agreeably baffled. Scripted by Scott Frank, *Dead Again* is a serpentine teaser lashed to sprinting pace by a director who knows that anything slower would give the game away: the game being that games-playing is all there is.

Mortal Thoughts combines a thinking man's thriller Mamet-style with a mystery by flashback Branagh-style. Directed by Alan Rudolph (*The Moderns*) from a script by William Reilly and Claude Kerven, the film is a whodunit we mistake initially for a how'd-she-do-it. Rowdy, violent, cocaine-snorting Bruce Willis has been done in by his hairdressing spouse Glenne Headly. It must be her. Who else would cut the man's throat in the back of a van and then dump his body?

So Headly's friend Demi Moore, who was there on the fatal night, is with us in the present tense telling all to cop Harvey Keitel. Hand-weaving its flashbacks into its cunning interrogation scenes – Keitel, we and the police video-camera all watch Miss Moore for tell-tale tics or slips – *Mortal Thoughts* is a dapper piece of movie trickery. The New Jersey small town setting freshens up the plot: no LA high rollers, just plain folk with "dese and dose" accents. The audience deceptions are delicate and deadly. And the performances, notably from a hellraising Willis and a Miss Headly dippy with despair and adenoids, are a treat.

Add to this week's murder list France's macabre *Doctor Petiot*. Writer-director Christian de Chalonge digs a favourite skeleton from his country's wartime closet: the story of the mass-murdering doctor whose crimes were discovered in 1944 when skeletons were dug from *his* closet. Or rather from his basement, where he burned the cyanide-poisoned bodies of would-be refugees from Nazi-occupied Paris, having promised to help them escape.

Michel Serrault, once the screams-and-giggles half of the *Cage Aux Folles* duo, here solicits our screams and giggles. This is acting of spellbinding wit and panache. With kohl-dark eyes and bat-spread cloak, he bicycles around night time Paris scooping up human strays; then he performs his dance of *politesse* back home before injecting them ("Just a vaccination") and crowing mutely over their demise. Shot like a silent-era Saturday matinee thriller, *Doctor Petiot* revives an unspeakable horror from the past to create a virtually speech-transcending black comedy for the present.

★

The week's lone booby prize goes to the year's most overpraised film: John Singleton's *Boyz N The Hood*. This debut feature by a 23-year-old black director lifts the lid off black life in the seamy suburbs of South Central Los Angeles. Or so we have been told by a rapturous American press. Gang warfare, racism, poverty, delinquency: the themes are ticked off one by one in Singleton's single-gauge script, which trundles from one over-signposted station of melodrama to the next as young Tre (Cuba Gooding Jr) grows up through the 1980s to understand the tragedy to which his race is doomed.

Doomed by what we never learn; unless it is by the kind of glib stereotyping that this film offers. There is the Good Father (Larry Fishburne) with his moral bromides for all occasions. There is the ubiquitous Bad Gang, which stands on every street corner like Rent-a-Showdown. There is the Nice Girl who does her homework and offers redemption. And there is the Awful Music, which woos-woos, thump-thumps or quires celestially to tell us what we should be feeling if we have not been mugged already by the telegraphic dialogue and acting. Eight out of ten for good intentions, one for achievement.

Top marks in nearly all departments to Australia's *Flirting*. Writer-director John Duigan, who incised a memorable portrait of boyhood in *The Year My Voice Broke*, wields his etching tool again in this teenage love story about Danny (Noah Taylor) and Thandie (Thandiwe Newton). He is white, she is black; he is shy, she is forward; he is Leander, she is Hero. Their two boarding schools glimmer at each other across a river that is Australia's answer to the Hellespont.

Their stolen romance survives the police whistles of the teachers and the wolf whistles of their schoolpals. When not unsentimentally touching, *Flirting* is a picture of boarding school life – the agony and the eczema, the bullying and the beatitude – as witty and witheringly exact as we have seen since *If*.

Nigel Andrews

Kenneth Branagh, Derek Jacobi and Emma Thompson in 'Dead Again'

Rambert Dance

ROYALTY THEATRE

The quest for a dance house in London has gained fresh impetus with a season of performances at the Royalty Theatre. These began with the Israel Ballet's appearance at the weekend and continue with this week's season by Rambert Dance, and forthcoming visits from Northern Ballet Theatre and the Madrid Ballet. There is a certain irony in the use of this house, since on the spot there was once the Stoll Theatre, originally intended as an English Opera House, and a handsome and welcoming home for ballet troupes after the war. But the site was "developed" – as the weasel words go – and the Royalty is a horrid example of just how far lack of taste can go in matter of design. It possesses a good, broad stage, decent sightlines, but its auditorium is functional, hideous in decoration (the Civic Hall in hell is like this), and about as charming as Moscow airport.

The advantage of the stage for Rambert is that the company can show some of the "important" designs which lesser stage areas cramp or prohibit. Thus Tuesday night's programme comprised three works in which design is significant: Lucinda Child's dismal *Four Elements* with its act drops by Jennifer Bartlett; Richard Alston's *Roughcut* with its forest of plastic tubes from Tim Hatley; and Laurie Booth's brand new *Completely Birdland* with scenery by Graham Snow. The Royalty stage, and good lighting, made the most of the pictorial elements, though in matter of choreography it was only the Booth piece which seemed a sure and definite dance statement .

This is, I believe, Booth's first essay for an established troupe, and he has not compromised on his language, which remains an intriguing mixture of improvisation, martial arts, and an oblique, sybilline exposition of movement ideas. Hans Peter Kuhn has provided a tape of sounds which develop in intensity, from whispers to melodic fragments on a 'cello. Graham Snow offers two panels showing skeletons of prehistoric birds, and a front cloth that hints at Booth's meanings by showing two hands casting bird-like shadows.

Booth submits an alienating programme note whose relevance escapes me, but he gives his six dancers sequences of movement typically Boothian in their slow rolls and curves, Tai Chi postures and passes, and curious sense of contemplative isolation. I missed that intensity and psychic rapport which Booth and his colleague Russell Maliphant generate in their own performances, but *Birdland* casts a spell, and draws us into its oddly static and even more oddly purposeful world.

I reported without enthusiasm on *Lucinda Child's Four Elements* at its Oxford premiere last year. The dance is dull stuff, by turns lethargic, bland, and as vainly repetitious as its Gavin Bryars score. The Jennifer Bartlett panels are a-clatter with personal symbols – tartan, playing cards, a skeleton, birds – and mean not a damn thing, except to give us something to puzzle over while Rambert's dancers stretch and pose and occasionally leap, in choreography that is most notable as a compendium of post-modern cliché.

The same clichés abound in Richard Alston's *Roughcut* – too much of the Rambert repertory looks as if it were made by an unenterprising committee – but it is redeemed by the energy of its cast as they nip and bounce through its fast sections, with Catherine Quinn a wonderfully mercurial presence.

Clement Crisp

INTERNATIONAL
ARTS PREVIEW
& EXHIBITIONS

■ ANTWERP

De Vlaamse Opera 20.00 Rudolf Werthen conducts Pet Halmen's production of Der fliegende Holländer, with Bodo Brinkmann in the title role, Luana DeVol as Senta and Graeme Matheson-Bruce as Erik. Next performance on Sat (233 6685)

■ BARCELONA

Gran Teatre del Liceu 21.00 Eva Marton sings the title role in the final performance of Jochen Ulrich's production of Salome, conducted by Antoni Ros Marba, with Simon Estes as Jochanaan (412 1466)

■ BERLIN

Staatsoper unter den Linden 19.00 Il trovatore. Tomorrow: Falstaff. Sat: Ariadne auf Naxos with Reiner Goldberg as Bacchus. Sun: Die *Meistersinger von Nürnberg*, with Siegfried Vogel as Sachs, Klaus König as Stolzing and Eva-Maria Bundschuh as Eva (East Berlin 2004 762)
Komische Oper 19.00 Rolf Reuter conducts Gunter Krämer's production of Der Freischütz. Tomorrow: Antigone oder die Stadt, *new opera by Georg Katzer*. Sat: Cav and Pag. Sun: Le nozze di Figaro (East Berlin 2292 555)
Deutsche Oper 20.00 Liza Minelli in concert. Tomorrow: Die Zauberflöte. Sat: Aida. Sun: Lohengrin with Eva Johansson, Gwyneth Jones, Peter Seiffert, John Tomlinson and Ekkehard Wlaschiha (West Berlin 3410 249)
Schauspielhaus 20.00 Ludwig Guttler conducts the Leipzig Bach Collegium. Sat, Sun, Mon: Milan Horvat conducts the Berlin Symphony Orchestra (East Berlin 2272 261)
Philharmonie Kammermusiksaal 20.00 James Levine conducts the Berlin Philharmonic in music by Schoenberg, Stravinsky and Mozart, also tomorrow and Sat (West Berlin 2614 383)

■ GOTHENBURG

Konserthus 19.30 Bernhard Klee conducts the Gothenburg Symphony Orchestra in Webern's Six Pieces op 6, Bruckner's Third Symphony and Haydn's C major Cello Concerto, with Natalia Gutman. Repeated tomorrow (167000)

■ LONDON

THEATRE
The Ride Down Mt Morgan: world premiere of Arthur Miller's new play starring Tom Conti, Gemma Jones and Clare Higgins. Directed by Michael Blakemore (Wyndham's 071-867 1116)
The Hunting of the Snark: a new musical based on Lewis Carroll's epic nonsense poem, with music, lyrics and book by Mike Batt. The cast of 75 is led by David McCallum as Lewis Carroll, Kenny Everett *and Mark McGann (Prince* Edward 071-734 8951)
It's Ralph: Hugh Whitemore's new comedy is directed by Clifford Williams and stars Timothy West and Connie Booth. Currently previewing, *Press night* on Mon (Comedy 071-867 1045)
For ticket information about all West End shows, phone Theatreline from anywhere in the UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962
MUSIC
Covent Garden 19.30 All performances are currently suspended as the result of an industrial dispute. For information phone 071-240 1066
Coliseum 19.30 Jonathan Miller's production of The Mikado, also Sat. Tomorrow: La bohème (071-836 3161)
Royal Festival Hall 19.30 Neville Marriner conducts the Academy of St Martin in the Fields in Mendelssohn's Hebrides overture, Schumann's Fourth Symphony, Elgar's Cello Concerto and Tchaikovsky's Rococo Variations, *with soloist Lynn Harrell*. Tomorrow: Maurizio Pollini recital. Sat: Elgar Howarth conducts the Philharmonia in music by Satie, Ligeti and Janacek. Sunday's programme includes a concert by the Vienna Boys Choir and a Mahler/Britten concert with the RPO conducted by Vladimir Ashkenazy (071-928 8800)
Queen Elizabeth Hall 19.45 Richard Bernas conducts a production of John Casken's chamber opera Golem. This is the only London performance of the Northern Stage/ Northern Sinfonia production before it goes on a national tour. Sat: *Barry Wordsworth conducts a* Malcolm Arnold 70th birthday celebration (071-928 8800)
Barbican 19.45 Colin Davis conducts the London Symphony Orchestra in Frank Martin's Petite Symphonie Concertante, Walton's *First Symphony* and Berlioz's Les Nuits d'Eté, with Barbara Hendricks. Tomorrow: Alfred Brendel plays Beethoven's Piano Concertos 2 and 3 with the CBSO and Simon Rattle (part of a Beethoven cycle to be completed next Fri). Sun: Pinchas Zukerman is violin soloist and conductor in a Mozart programme with the ECO (071-638 8891)

■ NEW YORK

Metropolitan Opera 19.00 First night of John Copley's new production of L'elisir d'amore, conducted by Marcello Panni and designed by Beni Montresor. The cast is led by Luciano Pavarotti, Kathleen Battle, Enzo Dara and Juan Pons. Further performances on Oct 28, Nov 2, 6, 9, 13, 16, 19, 23, 27. Tomorrow: Die Zauberflöte. Sat matinee: La fanciulla del West. *Sat evening: Un ballo in maschera* (362 6000)
New York State Theater 20.00 Joseph Colaneri conducts Cynthia Auerbach's City Opera production of La bohème, with Gwynne Geyer as Mimi and Michael Myers as Rodolfo. Tomorrow: The Mother of Three Sons, dance opera conceived and directed by Bill Jones *with music by Leroy Jenkins*. Sat: La traviata (870 5570)
Avery Fisher Hall 20.00 Claus Peter Flor conducts the New York Philharmonic Orchestra in Shostakovich's Tenth Symphony and Mozart's Piano Concerto in A *major* K414, with Rudolf Firkusny. Repeated tomorrow at 11.00, Sat and Tues (875 5030)

■ PARIS

Palais Garnier 19.30 Béjart Ballet Lausanne *in* Maurice Béjart's new work Death in Vienna, music by Mozart. Repeated tomorrow, Sat and Sun. Next week: Martha Graham Dance Company (4017 3535)
Opéra Bastille 20.30 Manfred Schreier conducts two chamber music-theatre works by Heinz Holliger, based on texts by Samuel Beckett: Come and Go, and What Where (4001 1616)
Théâtre des Champs-Elysées 20.30 Jeffrey Tate conducts the Orchestre National de France in Henze's First Symphony, Schoenberg's Five Orchestral Pieces op 16 and Brahms' First Piano Concerto, with Emmanuel Ax. Tomorrow: Alban Berg Quartet plays Mozart, Berio and Brahms. Sun at 11.00 Emmanuel Ax plays Beethoven piano sonatas (4720 3637)
Châtelet 19.00 Pierre-Laurent Aimard plays Messiaen's Vingt *Regards sur l'Enfant-Jésus*. Tomorrow: William Christie conducts Les Arts Florissants in vocal music by Couperin and Delalande (4028 2840)
Opéra Comique 19.30 Mozart double-bill with the Moscow Chamber Opera: Bastien und Bastienne and Der Schauspieldirektor. Also tomorrow, Sat *and Sun (4286 8883)*
Salle Pleyel 20.00 Semyon Bychkov conducts the Orchestre de Paris in Berlioz's La Damnation de Faust, with David Rendall, Waltraud Meier, John Tomlinson and John-Paul Bogart (4563 0796)

A 24-hour recorded telephone guide to Paris entertainments is available in English by dialling 4720 8898

■ VIENNA

Staatsoper 18.00 Horst Stein conducts Die Frau ohne Schatten, with a cast led by Mechthild Gessendorf, Marylin Zschau, Richard Brunner and Franz Grundheber, also Sun. Tomorrow: Fidelio with Gabriela Benackova as Leonore. Sat: Die Zauberflöte (51444 2960)
Musikverein 19.30 Vladimir Fedosseyev conducts the Vienna Symphony Orchestra in symphonies by Beethoven and Schubert, with Rudolf Buchbinder *soloist in Mozart's Piano Concertó* No 20, also tomorrow. Sat: Erwin Ortner conducts Costanza e fortezza by Johann Joseph Fux, in a concert marking the 250th anniversary of the composer's death. Sun: Claudio Abbado conducts the Ensemble Wien Modern in a concert in memory of Andrei Tarkovsky, with world *premieres of music by Beat Furrer*, Gyorgy Kurtag and Wolfgang Rihm (505 8190)
Konzerthaus 19.30 Pinchas Steinberg conducts the Austrian Radio Symphony Orchestra in Messiaen's Tuangalila Symphony, with Yvonne Loriod piano and Jeanne Loriod ondes martenot. In the Schubert Saal, Kazushi Ono *conducts the Vienna Chamber* Orchestra in music by Bach, Boccherini and Britten. Tomorrow: Birgot Kolar and Clemens Zeilinger play violin sonatas. Sat: an evening of musical arrangements with the Schoenberg Ensemble (7124 6860)

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A structure for Europe

AS MR Jacques Delors said yesterday, the agreement to set up a 19-nation free trade zone in Europe is "a major step on the road to enlarging the Community". A few days earlier, he had observed that "it is essential to fix a new political and institutional *rendezvous* to prepare a structure for between 24 and 30 countries".

What might such a structure be like? It is wrong to argue that a wider Europe must also be shallower. But neither does a wider Europe need to be deeper in all respects. What a wider Europe needs is to be different from a narrower one.

Enlargement ensures that the EC will become still more diverse, economically, geographically and culturally. It also means that the making of common decisions under present rules will become more unwieldy. Two conclusions may be drawn: that the number of powers to be shifted from the member states to the EC level should be minimised; and that the process of common decision-making must be streamlined. Indeed, it is partly because decision-making will have to be streamlined that the powers to be shifted to the EC level must be minimised.

Whatever powers may be granted to the European Parliament, the Council of Ministers will remain for the foreseeable future the focus of decision-making within the EC. If it is to work under the likely new conditions, however, voting will have to be recast.

Blocking minority

Areas of common decision-making that require unanimity will have to be reduced to a bare minimum. In addition, a blocking minority under qualified majority voting will have to be increased substantially in size. At present, two big countries and one small country are usually enough to halt a decision. The difficulties of policy-making in these circumstances have been amply demonstrated in recent attempts to reform the Common Agricultural Policy; imagine the situation in an EC of 20 countries.

At the same time, the basis of allocating commissioners will have to change. Either all countries will have to be reduced to one commissioner, or the smaller countries will have to share a commissioner.

If the weight of individual members is to be reduced and the EC is to become more diverse, the arguments for the greatest possible decentralisation become overwhelming. EC activity must be limited to those areas where common action is demonstrably better than decision-making at national (or lower) levels. The starting point for a division of powers needs to be an explicit enumeration of EC responsibilities, with the rest remaining with the member states.

Starting point

Trade, competition, the internal market and money are areas for common decision-making. So, ultimately, should be foreign policy and defence. But that Rome cannot be built in a day. The starting point is to incorporate these issues within the EC framework, while preserving unanimity for the immediate future and allowing individual members room for separate action.

Social policy, health, education and the labour market should remain in national hands, except where decisions have both demonstrable and substantial consequences – be they adverse or beneficial – for other member states, such as on immigration. Sometimes border lines will be difficult to draw – as is evident already in the cases of transport, energy policy and the environment. The division of powers will then have to be based explicitly on the extent and nature of the external effects of member state decisions. Where there are few such effects, there should be no common policy.

The EC's future casts a shadow on the present. In the streamlined EC to come individual member states, even the largest, will have substantially reduced influence on the determination of common policy. For that very reason, however, common policy must now be kept to areas where collective action is demonstrably better than action by individual states, a thought that needs to be kept securely in mind by all those about to converge on Maastricht.

This is the fifth in a series on the future of the EC.

Labour's shadow cabinet cocktail

THE LABOUR shadow cabinet, re-elected unchanged yesterday, is in at least one respect more in tune with contemporary realities than the cabinet itself. Labour's team of 18 contains four women. The government's team of 22 contains none. Nor can it be said that Labour has promoted women of low ability simply to make a point. For example, Ms Margaret Beckett, the shadow chief secretary to the Treasury, is more than a match for Mr David Mellor, the real thing, while Ms Ann Taylor, at environment, is endowed with a streak of pragmatic common sense that would make her an asset in any department.

This advantage is not the only factor in Labour's favour in the pre-election populist stakes. As a group, the party's spokesmen and women constitute a formidable sales force in what has become a highly competitive market for votes. The product they are pushing is of less certain value. It is a cocktail which includes a dollop of government interference, a shake of 1960s sentimentality, and a twist of mild egalitarianism. The mix is laced with large quantities of bureaucracy, and a fizz of galloping quangos – then topped off with the soothing cream of ineffable blandness.

No shadow minister is more adept at purveying this mix than the shadow chancellor, Mr John Smith. So successful is this likable Scottish advocate as a salesman of higher taxes that if he were a box of soap (soft soap, naturally) his brand name might be "Prudence"; his slogan "with 19 per cent extra Fairness added." That is, 10p on the higher rate of income tax and 9p in additional national insurance contributions. As an individual Mr Smith seems as well-qualified to be chancellor as most of his predecessors, and more competent than some. His promised fiscal stance is sound.

Interventionist policy

Another Labour star is Mr Gordon Brown, whose evident ambition to succeed to the leadership itself in due course will have been fed by his position at the top of yesterday's poll. Labour's interventionist policy for industry is, the polls indicate, an easier sell than the Tories' emphasis upon market forces, championed by Mr Peter Lilley, the trade and industry secretary. The trouble is that Labour's policy contains not a line about increasing competition and far too many lines about the government doing this, initiating that, or regulating the other.

False proposition

Mr Robin Cook, spokesman on health, plays the very devil with Mr William Waldegrave, the minister. Mr Cook is not a man with whom to do battle in an open arena, much less in a back alley on a dark night. As salesman for the false proposition that the Conservatives intend to privatise the health service he is vastly superior to Mr Waldegrave, salesman for the rebuttal, and whose pitch has not been much helped by the current confusion over tax relief for private health insurance. The actual Labour policy on health would re-inforce bureaucracy and limit prudent accounting or cost-effective contracting-out. This is not the way Mr Cook puts it.

Mr Tony Blair comes across as more sympathetic than his government counterpart, Mr Michael Howard. As employment secretary Mr Howard has made some headway in his arguments against Labour's proposed minimum wage, but it is Mr Blair who, by invoking European Community practice, has the easier task. Essentially, the parties agree on training, but Mr Blair's version sounds better-funded and more enthusiastic. He also promotes Labour's apparently reasonable labour relations policies. The active ingredient, the party's debt to the trade unions, is kept in the small print at the bottom of the box. Mr Bryan Gould, one of the best of Labour's television performances, does not have the natural charisma of his opposite number, Mr Michael Heseltine, but it is Mr Heseltine who has to put through the council tax.

In short, the shadow cabinet is no less talented than the cabinet and in some departments it is evidently better. Labour's is unquestionably the superior sales force. The electorate has in all probability at least six months to inspect the quality of both parties' goods.

Quentin Peel on the economic and political clouds over Germany

Autumn of discontent

Chancellor Helmut Kohl behaves ever more as a law unto himself.

At a moment when any other political leader would be anxiously watching the economic indicators, cultivating the grass roots of party support, and nursing a fractious coalition government, the German chancellor has taken off for a week of statesmanlike tourism in the southern hemisphere, paying official visits to Chile and Brazil.

He has left behind an autumn of discontent at home.

The mighty Bundesbank and the five leading economic institutes have issued gloomy prognoses on the health of the national economy, warning of dark storm clouds in the coming months. The economists have gone further, calling for urgent negotiation of a new political consensus to cope with the rising costs of German unification, and the threat of a wage-price spiral.

The political climate is nervous and divisive. The acutely sensitive issue of asylum, which is really the issue of immigration, is top of the western political agenda, causing open splits in the ruling coalition. Chancellor Kohl's ruling Christian Democratic Union (CDU), and its Bavarian-based sister party, the Christian Social Union (CSU), are campaigning for a change in the constitution to restrict the numbers of economic immigrants claiming political asylum.

The other coalition partner, the Free Democratic Party (FDP), is fundamentally opposed to any such revision in the country's basic law. And the opposition Social Democrats (SPD) are equally opposed, although tactically split between their local and national leaders.

Mr Kohl's own CDU has seen a drastic decline in its support since its sweeping win at the post-unity elections last December, above all in the east. There the polls put the party at only 25 per cent, compared with more than 41 per cent in December. As for Mr Kohl himself, his personal popularity is way down, far behind Mr Hans-Dietrich Genscher, the FDP Foreign Minister, Mr Björn Engholm, the SPD leader, and even his own heir-apparent, Mr Wolfgang Schäuble, the interior minister.

Despite this array of problems, the chancellor appears to be serenely calm. Is he right, or should he be worried?

The economic facts of life are scarcely cheerful, and yet the federal government seems absolutely determined to put an optimistic gloss on them.

"Kohl is doing exactly what Ludwig Erhard always did: insist that everything is getting better, even when it looked disastrous, and in the end we got our economic miracle," according to one long-time Bonn observer. The question is whether the current economic crisis in the east can provide the foundation for a new economic miracle.

While predicting growth of up to 12.5 per cent in the east next year, the five economic institutes (in Berlin, Munich, Kiel, Hamburg and Essen) insist it is a technical adjustment, not evidence of a sustained upswing. Rather, the entire recovery is based on the massive inflow of west German public funds, they say, and private investment flows are much less substantial than the figures suggest.

Their fears centre on two perceived economic evils: wage rises with no commensurate increases in productivity, and unrestrained public sector deficits.

In the east, they see that the pressure for wage equalisation with the west is undermining even quite substantial improvements in productivity since unification. The economists fear that private investors will be dissuaded from coming in, because of the small prospect of future profits.

Economists have called for urgent negotiation of a new political consensus to cope with the rising costs of German unification, and the threat of a wage-price spiral

If they are right, then wages and recovery in the east will depend on continuing massive subsidies from the west for many years ahead. Next year's public transfers from west to east will reach DM10,800 per inhabitant, DM1,200 more than this year, according to the most recent calculations.

That is where politics comes back in. For the institutes doubt the ability of the coalition government to tighten its belt in the west. "Never before at a time of economic boom in west Germany has the political establishment shown itself capable of dismantling benefits for individual groups and sectors, even for obsolete ones. This leaves one little hope that significant cuts in the budget will be achieved in this way in the future," they say.

The politicians are tempted by general tax increases, like the 1 per cent VAT rise planned for January 1 1993, because they do not affect specific group interests: yet they will fuel inflation, and promote rising western wage demands.

The answer, according to the economists, is for employers, unions and the government to negotiate a new consensus to finance unification, which requires restraint on all sides: government spending growth below the nominal GNP growth for several years, and wage deals held to 4 per cent next year at the very most.

What the economists do underplay, perhaps, is the importance of psychology in the east's recovery: the fact that the massive inflow of public cash has caused a visible building boom, that people can see the physical changes, and are beginning to respond. Certainly there is a real pick-up in small business activity. Chancellor Kohl is also seeking to play on the psychology of the west, by talking potential investors into optimism.

Given his parlous political position, he and his closest aides have also exploited the explosive asylum issue quite successfully, if cynically. It is a matter of widespread resentment that foreigners are flooding into Germany at a rate of almost 30,000 a month claiming political asylum, when many are merely looking for jobs. They are put up in flats, school-halls and hostels in thousands of communities across the country.

Germany has seen an inflow of 2.5m immigrants since January 1989, including so-called Aussiedler (east Europeans claiming some German origin) and Uebersiedler (settlers from the old East Germany) as well as the non-German asylum seekers. The Aussiedler are regarded with almost as much suspicion as the asylum seekers ("All you need is to claim you have a German shepherd dog," is the standard taxi-driver comment.) Since mid-year, however, the inflow of asylum seekers has outnumbered that of Aussiedler.

Mr Kohl, Mr Schäuble and Mr Volker Rühe, the party general secretary, have, therefore, tapped a real popular resentment in demanding a change in the constitution. It appears at least to have stemmed the decline in party popularity.

Nonetheless, it has split the coalition. Mrs Irmgard Schwaetzer, the FDP construction minister, declared at the weekend that the climate within the government was "not good". This prompted a sudden pledge of loyalty to the government from Mr Otto Lambsdorff, the FDP leader, insisting that the coalition could run its time to the next elections in 1994. The very fact that he had to give such a pledge is worrying.

Nor does the asylum question help stop the decline in CDU support in the east. A shake-up within the party leadership, forcing out the old guard headed by Mr Lothar de Maizière, the former east German prime minister, has done nothing to help. Only an economic revival will do that. But Mr Kohl still does not know how quickly he can turn the eastern economy around. He can only hope that by 1994 he will have done so.

In the meantime, he needs a political success to counter all the gloom and bickering. That is supposed to be Europe. The EC summit in Maastricht in December is supposed to deliver a significant step forward to European political union – indeed, to the foundation of a United States of Europe – for which Mr Kohl can claim a large part of the credit.

He obviously finds foreign policy issues much the most fun these days. Debilitating domestic battles can be left to Mr Schäuble and Mr Rühe. The economy will have to look after itself. Mr Kohl, with Germany united, Mrs Thatcher departed, and President François Mitterrand turning in circles, is clearly the major European statesman on the stage. Even on this issue, however, he is the hostage of 11 other member states.

Book Review

See how they run

THREE BLIND MICE: HOW THE TV NETWORKS LOST THEIR WAY
By Ken Auletta
Random House $25.00

For anyone growing up in post-war America the word television has invariably meant network television, and network television has in turn been synonymous with ABC, CBS and NBC – until the 1980s, that is.

Most members of the "baby boom" generation came of age in an America whose pop culture and mores were for the most part shaped, some would say decisively, by a shared national consciousness created by network news, situation comedies and variety shows.

Television in America has, however, changed dramatically over the past decade and the once mighty networks are now fighting a frenetic rearguard battle against declining advertising revenues and the growth of cable TV.

The most talked about phenomenon is, of course, the rise of Cable News Network (CNN), the video equivalent of a continuous news agency that came of age during the Gulf war. But the proliferation of cable television goes well beyond CNN; the average household, which in 1976 had seven channels to choose from, now has 33. The once pre-eminent networks, which had profits of $800m in 1984, will struggle to stay out of the red in 1991. And while some 15 years ago nine out of 10 households tuned in to ABC, CBS and NBC during prime-time viewing hours, roughly a third of these households prefer cable or video rentals to the big networks.

These are some of the facts of life Ken Auletta, the author and journalist whose previous books include Greed and Glory on Wall Street, throws at his readers on the first page of his voluminous tale of the decline of network television.

Three Blind Mice is an extremely detailed account replete with fly-on-the-wall reporting, but it suffers none the less from a syndrome known in journalism as "emptying the notebook into the typewriter". At 577 pages the book is far too long, and that is a shame because it is the most complete corporate history of the US television business to be published to date.

No one else has written so well, for example, about the regulatory environment that has prevented the networks from owning the shows they air and thus tap into the lucrative market for syndications and re-runs. Auletta has also provided fresh insights into the shifting balance of power between the networks and their local affiliate stations, a structural change that has helped independent producers to prosper at the expense of the networks.

Some of Auletta's most lucid reporting is to be found in his description of how the old network executives panicked during the takeover fever of mid-1980s America and rushed or were pushed into the arms of supposed White Knights that eventually took them over. These stories – in which ABC was taken over by the upstart media group Capital Cities, CBS by the wily Wall Street investor and break-up artist Larry Tisch and NBC by "Neutron" Jack Welch's General Electric – are fascinating.

The book offers a particularly vivid account of Larry Tisch, as ruthless a Wall Street operator as any over the past 20 years. His quest for recognition – and capital gains – led him to court the ageing William Paley, CBS's founder who through a Freudian slip called him "Larry Kitsch". Tisch took an axe to the CBS news division, incurring the wrath of many of his employees. At a breakfast meeting in 1987 Auletta witnessed the CBS owner turning beet-red in anger, nostrils flaring, when he heard about CBS correspondents calling him "a liar and an ogre" in public.

While Auletta shies away from overtly criticising Tisch, or anyone else, he certainly makes a strong case to support the internal critics at CBS who complain that their news division has been emasculated. Likewise he portrays the chairman of General Electric, which bought NBC in 1985, as more interested in profits than news. While Jack Welch may not have interfered directly in NBC news, Auletta says that NBC producers have engaged in much self-censorship.

Three Blind Mice does not pretend to be prescriptive or particularly analytical. It ends with the rather limp statement that it is too early to tell the likely future shape of the industry since "the earthquake continues".

A number of forecasts can, however, be made. The news coverage of the networks is destined to suffer, as a result both of drastic cost-cutting and of the rise of CNN. The march of cable seems likely to cut even more deeply into the market share, revenues and profits of the networks.

The fact that CBS and NBC are now owned by shareholders with an aggressive interest in the bottom line (only ABC is part of a larger media group) also implies that their future will be dictated by stock and asset valuations as much as journalistic considerations. It seems probable that at least one of the networks will change hands in the not too distant future and some say that a merger of two networks is not out of the question. An update of Auletta's book may well be needed long before the 1990s are over.

Alan Friedman

Marking the CBI card

■ Is the CBI already grooming a successor for John Banham, the director general of the employers organisation who steps down next year? The question is raised by the impending arrival at the CBI's Centre Point headquarters of Mark Radcliffe.

The very idea draws the sort of uncomprehending stare which CBI figureheads have perfected in response to questions of an internal or external political nature. Even so, some staff reckon he has an excellent chance of stepping into Banham's shoes if he shines in the months ahead.

Radcliffe is on secondment but there is no fixed term and he is resigning from the main board of TI Group to become the third CBI deputy director general alongside Maurice Hunt and Dick Price.

His task is to head up the new National Manufacturing Council, being formed by the CBI to promote the cause of manufacturing within business and government - an initiative which implies some recognition that it has not itself given sufficient priority to the issue.

The new recruit only joined TI's main board in 1988 when he took over at the helm of subsidiary John Crane International. It would be unusual for the CBI to appoint its new DG from within the organisation.

But Radcliffe, ex-Downside and Coldstream Guards, has the right sort of pedigree, and his stiff upper lip might come in handy if he wins the top job and finds Labour's Gordon Brown has taken over at the DTI.

Words' worth

■ Two cheers and a boo for Karin Steigenberger, the brave Bavarian who took on the bureaucrats and beat them – but only after a forceful intervention by her home state interior minister, Edmund Stoiber.

Steigenberger had been battling for months with the passport office which had refused to accept her application form. It complained that her entry under "Place of birth" was too long to fit into the line allotted. But she insisted that "on board the auxiliary vessel Potsdam on the journey from Gotenhafen to Denmark" was the only formulation acceptable to her.

Bureacratic compromises, even "in transit from Gotenhafen", simply made her angry, she said. A victory for civil rights, but another dismal defeat for the fighters against Germany's most chronic ailment: logorrhoea.

OBSERVER

"Free trade zone or not, you're on our patch."

No comment

■ William Waldegrave broke the Treasury's first commandment when he suggested at the weekend that tax relief on health care insurance for the elderly might be phased out.

No-one outside the hallowed portals of Great George Street must be allowed to pronounce on tax policy.

So after a sharp private rebuke from Norman Lamont,chancellor of the exchequer, Waldegrave was forced into an embarrassing public climbdown. Treasury officials announced with lofty satisfaction that he had been humiliated "pour encourager les autres".

There is just one small problem. The chancellor and the whole of the Treasury establishment agree with Waldegrave that the tax relief is a complete waste of money.

It was only introduced after Mrs Margaret Thatcher overruled the then chancellor Nigel Lawson during the NHS review.

Still the £60m a year that the concession costs the taxpayer is perhaps small change when set against the Treasury's jealous defence of its prerogatives. The chancellor could of course decide in the end to put policy before pride.

Polish blessing

■ Poland's liberal foreign exchange rules and creaky banking system makes the country easy prey for Western and Soviet organisations looking for a place to launder their illgotten gains.

Now, Jaroslaw Kaczynski, the leader of the Porozumienie Centrum, a christian democratic group and a top aide to President Lech Walesa has decided to do something about it.

The first meeting of a joint Polish Italian Committee designed to "work for the human and national integral development of the two countries according to christian values" has just taken place.

What the official communique didn't say was that the non-governmental committee hopes to act as a kind of filter, giving its seal of approval to Italian capital coming into Poland. The Catholic Church, both in Italy and Poland is discreetly involved with a representative on the committee which is headed by Professor Luigi Crespi, an adviser on transport matters to the Italian Government.

The committee also wants to attract capital to Poland in its own right and transport, food processing and housing are priority areas. All well and good, but Kaczynski's party last summer came in for a certain amount of criticism for the activities of Telegraf, a private company connected with many of its leading members. Now some of them, like Slawomir Siwek, the Polish co chairman on the committee, are also involved in Cargo Modlin, a controversial plan to build a cargo airport 50km north of Warsaw.

Interesting to see how high this project figures on the committee's priority list.

Women's work

■ The scale of the task facing Mr John Major's move to draw up a "women's charter", to advance the cause of women in public life over the next five years, is highlighted in a newly published book, "Who's who of women in world politics".

It reveals that the UK, with no women in the cabinet, trails behind regimes such as Albania, Hungary and Czechoslovakia. The absence of women cabinet members is a distinction shared with, amongst others, Romania, Malta and Iran.

The low percentage of women in the UK's national legislature is graphically illustrated by a coloured map, in which the UK is shown as having between 5 and 10 per cent women among its lawmakers. This puts it in the same bracket as countries such as Syria, Bolivia and China. Still, at least it comes out ahead of Chile, Bulgaria and South Africa.

ECONOMIC VIEWPOINT

Spending hurdle for Major

By Samuel Brittan

The greatest menace in the run-up to every election are the so-called practical politicians who think they know everything about winning elections, but have no more idea than the next man or woman how to do so.

There is an endless whispering campaign, which surfaces every now and then in the Sunday papers, suggesting that the chancellor should take risks with the economy in order to buy the election. It is extremely doubtful if an election can be so bought.

This is not because the electorate is too high-minded, but because it has at least partially learned from experience that largesse thrown at it before polling day has to be extracted all too painfully afterwards.

Mrs Margaret Thatcher was no slouch when it came to believing that the end justified the means, when that end was keeping her own government in power and Labour out of it. But the opportunism was balanced by some sort of principles which deterred her from opening the spending floodgates or promising tax cuts financed by endless borrowing.

So-called moderate Tories, who have no principle except to stay in power, are without such checks and balances. What they pathetically fail to realise is that not only are they not going to beat Labour at the spending game, but if they try, Labour will not hesitate to accuse them of financial irresponsibility to boot.

Watch the little-noticed consequences of projects with low start-up costs which get by on the nod

Anyone who supposes that Labour cannot combine being the party of the public services with forensically effective attacks on Tory financial irresponsibility has got a great deal to learn. Labour's shadow chancellor, John Smith can always cite Jimmy Maxton's "If you can't ride two horses at the same time, you shouldn't be in the bloody circus."

I have been provoked to these remarks by the latest rumour that a 1p cut is planned in the income tax rate in the Budget next spring, so *that Labour can be challenged* to vote against it. The one thing I know for sure about this rumour is that it does not emanate from the chancellor, Norman Lamont, or anyone responsible to him. So forget it, except as a sign of the times.

There is no comparison between the coming Budget and that before the 1987 election when a Budget surplus of more than £3bn (after the cut) allowed a tax-cutting gesture as a token of things to come. A glance at the accompanying table of official projections will show how the fiscal red ink is now accumulating. Moreover, the table, taken from the March 1991, Red Book, has turned out to be too optimistic.

The present chancellor's immediate problem is the normal autumn spending round. As usual, bids from the spending departments are well in excess of the "Planning Total" agreed by the cabinet. The £15bn of excess bids, highlighted a few weeks ago, are out of date. But the excess is still in high single figures.

Moreover, the battle is more serious than on past occasions because of both the coming election and the recession. A number of prominent spending departments, including Health and Defence, have not yet settled. There is also the question of how far to finance recent high public sector pay settlements from the Contingency Reserve. Although the prime minister wants to avoid a high-profile political row, it is touch and go whether he will have to convene a Star Chamber under the probable chairmanship of the leader of the House, John MacGregor – himself a former chief secretary to the Treasury. The danger of public spending soaring out of control usually comes, however, not from agreed plans for the year immediately ahead, but from the little-noticed longer-term consequences of all kinds of projects with low start-up costs which get by on the nod.

Should the government raise taxes despite the recession to balance the budget at all costs *or should it raise public expenditure* and cut taxes to stimulate spending? Both courses would be dangerous. The sensible answer is to set tax rates sufficient to balance the budget over a whole economic cycle and accept a temporary revenue shortfall in a recession. Similarly, spending increases should be limited to items such as unemployment pay, which emanate directly from the recession itself.

The Treasury's 1991 Budget arithmetic
Public sector borrowing requirement (£bn)

	90-91	91-92	92-93	93-94	94-95
General govt expenditure	216	235	252	266	279
General govt receipts	217	226	240	260	281
PSBR	-1	8	12	7*	0*
Money GDP	547	580	624	668	710
PSBR as % of money GDP	-¼	1¼	2	1	0

* Allowing for "tax cuts"

Source: Financial Statement

There is nothing optimal about the degree of stimulus resulting from a tax and spending system designed for quite different purposes, but then economic policy is not an exercise in optimal control but in damage limitation. The advantage of the "automatic stabilisers" is that they put a brake on government tendencies to overstimulate either too late or by excessive amounts, based on wishful thinking.

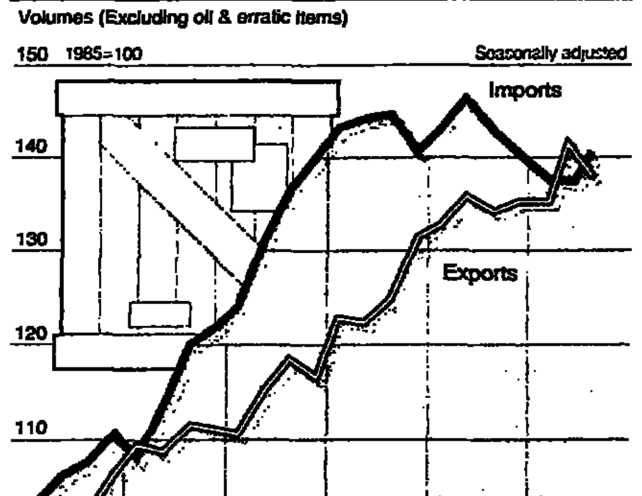
The Public Sector Borrowing Requirement (PSBR) in the first six months of 1991-92 is running at double the level of this time a year ago. This is *not a good guide to the whole* financial year; but it would be astonishing if the Budget forecast of an £8bn PSBR did not overrun into low double figures. Similarly, the £12bn forecast for next year looks very much on the low side. The Treasury may not mind hair-raising City estimates of £20bn so that some midway figure, such as £17bn, comes as a favourable surprise.

The Treasury estimates already allow for quite a severe 1991 recession. But they also assume a recovery to above *trend growth in 1992-93.* David Walton of Goldman Sachs has an alternative estimate, assuming that growth will merely return to its trend 2¼ per cent rate. On this assumption there would still be some lagged recession effects on the revenue side in 1992-93, but there should be no cyclical increase in spending. Any addition to the previously agreed £221bn "Planning Total" public spending should thus count as an easing of policy. (The Planning Total is less than "General Government Expenditure" because it omits self-financed local authority spending and debt interest.) The PSBR should *not* exceed about £13bn if the chancellor is to claim an underlying balance.

But if temporary shock-horror deficit numbers are to be acceptable, we will need to have in full in the Budget Red Book, and in outline in the Autumn Statement, some breakdown of any PSBR and public expenditure overshoot into components reflecting (a) a worsened economic outlook (if there is one), (b) revisions to the Treasury rule-of-thumb and (c) discretionary spending increases. Without this sort of analysis (which the Treasury usually hates to reveal) outside cynics will assume that most of the increase represents discretionary spending.

A danger of neglecting the budget deficits is that for a *long time they can run without* the predicted catastrophic consequences. But eventually when a serious slump arrives which does call for more than the automatic stabilisers, fiscal policy becomes nearly unusable. This has already happened in the US, where increasing the budget deficit any further is likely to lead to a counterproductive rise in long-term interest rates. In Britain, the consequences of destroying fiscal confidence are more likely to be felt in weakening sterling, which would, in turn, lead to the higher short-term interest rates which government and business so wish to avoid.

TEENAGERS' GUIDE TO UK TRADE



The recent faltering of exports reinforces other indicators suggesting that non-oil GDP did little more than level out in the third quarter. But the underlying movement of exports is still modestly upwards, and more so than that of imports. In the six years since 1985 exports and imports have risen by about the same percentage. The current published payments deficit for 1991 still looks as if it will be near the £6bn forecast by the Treasury or 1 per cent of GDP

PERSONAL VIEW

EC industrial policy: worse than before

By Patrick A Messerlin and Yoshiyuki Noguchi

A disturbing new trend has emerged in European Community industrial policy. Efforts to control not only trade but also direct foreign investment have been under way for about four years and have proved damaging to the economies of EC member states. The trend is most clearly visible in the action brought by four photocopying companies against their Japanese rivals, which is now being reviewed by the Anti-Dumping Office of the European Commission.

The policy is based on the use, or threat of use, of anti-dumping actions to control direct trade, and anti-circumvention actions to control investment in foreign "transplant" factories in Europe. Global companies have managed to use the policy to their own advantage and to evade present EC competition rules.

The anti-dumping and anti-*circumvention cases initiated* by the Anti-Dumping Office of the European Commission against Japanese photo-copiers five years ago offer a clear opportunity to assess the costs and benefits of the policy. The economic consequences of the legal actions for European consumers are astronomical. They amount to Ecu422m (£297m) per year – the extra cost of all copiers made and imported into the EC on top of what EC consumers would have paid without the anti-dumping actions – which is twice the *value of the sales of the four* European plaintiff companies. The figure represents an annual expense of Ecu14,000 per worker at Xerox (the main complainant). The costs are astronomical because anti-dumping duties have reached extremely high levels: on average 20 per cent, multiplying by almost four the level of protection which existed when the action was started.

The benefits from the measures are nil. The four complainants' share of the European market has slumped from 16 to 10 per cent since 1985. The complainants quickly aligned their prices with increased Japanese prices, instead of trying to compete. The booming market in cheaper, less sophisticated copiers is still a Japanese preserve. And increasingly, the complainants have become mere distributors of Japanese-made copiers: last year, almost half their sales consisted of Japanese-made machines, twice the proportion in 1985.

The worst aspect of the new *industrial policy is its devastating* impact on competition. Ironically, stiff competition among Japanese exporters of copiers has protected EC consumers from the worst consequences of the anti-dumping measures. Japanese copier-makers have been competing among themselves by, for instance, vying to increase exports immediately after the anti-dumping action was initiated; exporting from countries other than Japan, where production costs are lower; and by accelerating investment in EC *transplant factories.*

For Japanese companies direct investment in EC plants was the only way to compete after the anti-dumping barriers were set up. Before the anti-dumping action, only one Japanese company, Canon, owned plants in the EC. Anti-dumping measures blocking imports from Japan left Japanese competitors of Canon no alternative but to invest in EC plants. However, competition through exporting is less expensive than direct investment in the EC. There have been casualties *on the Japanese side.* The number of Japanese copier makers active in the EC market has dropped from 12 to nine.

Anti-circumvention measures have given the *coup de grâce* to competition. These measures are responsible for more than half the Ecu422m cost mentioned above. They have imposed further costs on consumers: local content requirements have made Japanese plants in Europe 10 to 20 per cent more expensive than Japanese plants in Asia. Japanese copier makers have also been forced to urge traditional Japanese parts suppliers to accelerate their investment in the EC.

Last but not least, the combination of EC anti-dumping and anti-circumvention actions show an irresistible tendency to unfairness. In the anti-dumping case, Canon's EC subsidiaries were treated by the Anti-Dumping Office as foreign companies, whereas Xerox's EC subsidiaries were considered as EC companies. In the anti-circumvention action, *Canon's plants have been* investigated for their local content, whereas Xerox's plants have not. In sum, two similar companies were treated in an opposite way: the anti-dumping and anti-circumvention measures on Japanese copiers should be abolished.

More should be done. The increasingly vigorous competition policy enforced by the Community for eliminating public subsidies should be extended to both anti-dumping and anti-circumvention actions. Enforcing competition rules requires two changes, at least. The economic interests of the EC users and consumers should be introduced as an essential consideration, and an end should be put to the current interpretation of the provision known as the "interest of the Community" which is a mockery: measures against Japanese copier makers were declared "in the interest of the Community".

Moreover, a consistent EC competition policy requires that if subsidies are eliminated, taxes on investments – *which include anti-circumvention* measures – should be prohibited as well. Increased co-operation between competition authorities of the leading trading countries would be of considerable help in this respect.

Patrick A Messerlin is professor of economics at the Institut d'Etudes Politiques, Paris, France; and Yoshiyuki Noguchi is senior economist at the Policy Research Department of the Nomura Research Institute, Tokyo, Japan. The views are those of the authors

LETTERS

Tax and deep discounted rights

From Mr Andrew Threadgold.

Sir, Your leader on underwriting ("Underwriters in retreat", October 16) introduced into the debate a most *important* issue, *namely* the role that the tax system plays in deterring deep discounted non-underwritten rights issues. Institutions such as my own have long argued the merits of such issues in raising additional equity capital. By eliminating all underwriting the cost to the company and the shareholders is very substantially reduced.

(The discount *per se* is not a cost to the shareholders because they both suffer its effects as owners and benefit as subscribers to the rights issue. The servicing cost of the equity need not rise as the result of the discount provided that a simple arithmetic adjustment is made to the future dividend per share payout.)

The only inhibiting factor to wider use of deep discount non-underwritten rights issues is their unfavourable capital gains tax treatment compared with conventionally discounted issues. This is an anachronism which the Inland Revenue should seek to redress.

Andrew Threadgold,
Postel Investment Management,
Standon House,
21 Mansell Street, London E1

Out of focus

From Mr Ilhan Nebioglu.

Sir, I must congratulate you on the obscurity of the photograph you chose to illustrate the article, "Farm subsidies Turkey can no longer afford" (October 17). It is as inappropriate as using a photograph of a horse-drawn plough to illustrate an article about farming in Britain.

I myself am Turkish and have yet to witness a camel being used to plough a field in today's Turkey, where agriculture has undergone tremendous modernisation. I should be most interested to meet the photographer, in order to ask him where and when he took such a picture – that is, if he is still alive!

Ilhan Nebioglu,
Garanti Bankasi,
141-142 Fenchurch Street,
London EC3M 6BL

Commission acting like a demented octopus

From Dr Caroline Jackson MEP.

Sir, One important fact should not pass unnoticed in the saga of the European Com*mission, the ministers,* and the environmental impact assessment directive ("EC calls for halt to work on Channel rail link", October 18): the Commission itself is in serious breach of the directive.

This is because it states quite clearly (Article 11) that five years after notification of the directive (July 3 1985) the Commission must send the European Parliament and the council a report on its application and effectiveness.

We are still awaiting this.

What we need from the Commission is effective monitoring of how member states are applying EC laws. Reports from the Commission are the only way that European and national parliaments will ever know what is going on. What we are getting gives the impression of the random lashings of a demented octopus.

The Commission can restore confidence by putting its own house in order first.

Caroline Jackson,
MEP for Wiltshire, Newbury and Wantage,
74 Carlisle Place,
London SW1P 1HZ

'Progressive' approach of Liberal Democrats on pensions

From Mr Archy Kirkwood MP.

Sir, I am writing to correct a slight misinterpretation of Liberal Democrat pension policy contained in the article by Edward Whitehouse and Richard Disney (Personal View, October 21).

Like the Labour party, the Liberal Democrats are pledged to making an initial one-off increase in the basic state pension, coupled with a commitment to link the annual pension up-rating to earnings rather than the retail price index. This is significantly more than the "staged increase" referred to in the article. The immediate increases will be paid for partly by removing anomalies in the tax system, such as the ceiling on employees' national insurance contributions, although the details of our tax package that pays for the pensions' policy differ substantially from the Labour party's. This is mainly because of the way we are planning to integrate national insurance contributions with the income tax system; this has been designed to avoid the ludicrous position of imposing an effective tax of 49 per cent on earnings in the mid-20s to mid-30s, an implication of Labour's approach. The long-term commitment to uprating the basic state pension by earnings or prices, whichever is the higher, will be paid for by abolishing the state earnings related pension *scheme, a highly egalitarian* proposal. Accrued Serps rights will be preserved.

And it is because our pension ideas are so genuinely radical with the proposals to abolish the contributory principle and Serps that we escape the main criticism which the authors rightly make of Labour's conservative approach to pensions. Our policy would be progressive. Labour's would not.

Archy Kirkwood MP,
Liberal Democrat social security spokesman,
House of Commons,
London SW1A 0AA

Long and short of book-buying

From Mr Patrick Gallagher.

Sir, On July 8 I ordered a US-published business book (reviewed in the Financial Times) from a specialised shop owned by a leading UK bookseller. On October 10 I was told that no date could be given for when it would be available and that "Doubleday in the US are not answering their phone". Meanwhile, my son faxed his credit card number to a New York city bookseller and received a copy by air within a week. Goodbye Terry Maher.

Patrick Gallagher,
Company Solutions,
29 Gloucester Place,
London W1H 3PB

Israel and the peace conference

From Mr Desmond L Bloom.

Sir, Your editorial, "Accepting the lesser evil" (October 21), on Israel and the Arabs is even more misguided than your usual comments on the region. To state that Israel has been dragged to the peace conference is quite bizarre. For 43 years Israel has been begging for direct negotiations with the Arab nations, yet for all of this period the Arabs have had a standard reply: no negotiations, no recognition, no peace. Now that the time suits the Arabs the world expects Israel to forget 43 years of constant attacks against her and to run merrily to a conference.

The Palestine Liberation Organisation and Arab coun*tries have been seeking the* total destruction of Israel and her people for many years and Israel will not sit and negotiate with these terrorists any more than the government of Britain would negotiate with the IRA.

Israel continues to be the only reliable ally to the west in the Middle East and the Americans will learn to their cost in due course that to have the Arabs for "friends" they do not need any other enemies.

Israel's argument for the strategic importance for Judea and Samaria [the occupied West Bank] *has not* been altered by the advent of the missile age. The Scud attacks against Israel caused damage but not the loss of the country; likewise the bombardment from the air by allied troops did not result in the liberation of Kuwait. It was only when ground troops went in that the land was recaptured.

The only party to the proposed conference which involves risk is Israel. Failure to reach agreement will not cause the Arabs any problems. In view of the atrocious record of the Arabs against Israel, the world should not be surprised if Israel deems the risk involved too great.

Desmond L Bloom,
chairman,
Herut Movement of Great Britain – Likud,
10 Mount Row,
London W1Y 5DA

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

FINANCIAL TIMES
Thursday October 24 1991

Treuhand seeks foreign buyers for companies

By David Waller in Frankfurt

THE TREUHAND, the east German privatisation agency, has launched an international direct mail campaign in an attempt to sell 110 clothing companies and 40-50 machine-tool manufacturers to non-German investors.

In its first effort of this kind, the Treuhand plans to send marketing literature to a total of 1,600 potential buyers in the Far East, the US and European countries other than Germany.

Although the agency has long been formally committed to attracting foreign investment, the reality is that all but 115 of a total of nearly 3,000 companies sold by the Treuhand by the end of the summer went to German buyers.

The mailing campaign, devised by the Treuhand with the help of marketing and management consultants, is designed to help redress the balance and, if successful, could be extended.

Addressed to the chief executives of potential buyers, the marketing packages contain general information about the five new German Länder and the tax concessions available to investors, as well as giving the name, location and number of employees of the individual companies and a more detailed description of their sector.

According to Mr Wolfram Schuetze, head of the Treuhand's marketing strategy unit, the first letters were sent out earlier this week to the chief executives of large Hong Kong clothing companies.

He said 800 potential buyers in each of the machine-tool and clothing sectors would be contacted in the next few weeks, although at this stage the search for buyers in the machine-tool sector would be confined to Europe.

Potential buyers will be invited to fill in a form requesting more information and the Treuhand has set up a small department to follow up the letters by telephone. The brochures, in English, French, Italian and German, will woo investors with the slogan: "Made in Germany, be part of it!"

Baker says agreement paves way for US reaching settlement with Vietnam

Peace treaty ends Cambodian war

By Ian Davidson in Paris

AN INTERNATIONAL peace agreement, formally ending 13 years of bloody civil war in Cambodia, was signed by 19 governments in Paris last night, paving the way for the largest peacekeeping administration undertaken by the United Nations.

Hundreds of exiles cheered Prince Norodom Sihanouk, the country's former leader, outside the conference centre and waved banners reading "Peace in Cambodia" and "UN Get There Fast".

Mr James Baker, the US secretary of state, said the peace treaty could not guarantee lasting peace but would give "great hope."

He announced that the US was ready to start talks with Vietnam as early as next month aimed at normalising relations. Hanoi's support for a comprehensive peace settlement in Cambodia is one of the US conditions in the US "road map" leading to eventual restoration of trade and diplomatic ties with Vietnam.

Linchpin of the peace agreement has been the formation of a Supreme National Council in Cambodia, which includes representatives of the four main warring factions: Prince Sihanouk, who will preside over the Council, the existing Vietnamese-installed Cambodian government of Mr Hun Sen, the Khmer People's Liberation Front and the notorious Khmer Rouge.

Ready to talk: James Baker, US secretary of state (right) and Vietnamese foreign minister Nguyen Mahn Cam at the signing of the Cambodia peace pact in Paris

The agreement places the administration for the whole of Cambodia under the direct authority of the UN, in an operation that will set a precedent and a vast challenge for the organisation in its role as peace keeper.

The first challenge for the UN Transitional Authority in Cambodia (Untac) will be to supervise the ceasefire between the warring parties, and to demobilise and disarm 70 per cent of their forces.

But its main task will be to register voters and organise free and fair elections in the early months of 1993, to select an assembly which will first draw up a new constitution, and then assume the functions of a national parliament.

In addition, the UN will have to supervise the return of about 350,000 Cambodian refugees living in the frontier areas between Cambodia and Thailand.

Western governments are determined that Pol Pot and the Khmer Rouge, whose reign of terror in the mid-1970s caused the genocide of more than one million Cambodians, must not be allowed to recapture control of the country. Senior diplomats are cautiously confident that the UN presence in Cambodia will be sufficient to ensure that elections are fairly conducted.

The most delicate phase for the peace process will be the period immediately after signature of the treaty. It will take some time for Mr Javier Perez de Cuellar, UN secretary-general, to finalise his plans and put them through the UN procedures, and final deployment of the UN forces, civil and military, could take as long as six months.

At one time, it was thought that the UN operation might cost between $3bn and $6bn during the next two years, but recent American estimates put the figure closer to $1bn. No reliable figure for either the costs or the numbers of military and civilian personnel will be available until the UN has finalised the plan.

Vietnam talks, Page 4

THE LEX COLUMN

A gentle nudge from Offer

On the face of it, the electricity regulator has decided to adopt a tougher stance. His letter warning the regional companies on the scale of price increases for next year is strongly reminiscent of Mr Byatt's lectures to the water sector. Both industries are benefiting from lower inflation. The regulators rightly want to ensure that customers will not be charged higher prices simply because the companies got their forecasts wrong. Professor Littlechild also recently undertook a review of the prices being charged by the two generating companies, so it looks as if the days when the regulatory hand was largely invisible are over.

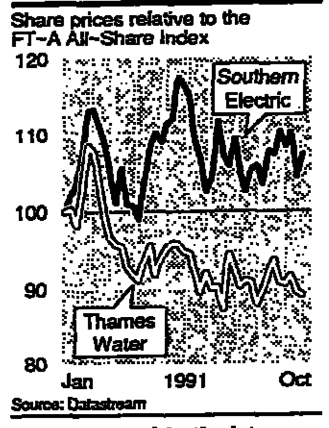
That is broadly consistent with the trend towards much tighter controls on privatised utilities, but it nevertheless begs the question why electricity shares did not react more adversely – the package of partly-paid shares fell by 2.5 per cent yesterday. The answer is that the market correctly viewed the letter as largely symbolic and unlikely to reduce the companies' medium-term profitability. The regulator refrained from invoking the inflation-linked price formula which controls the bulk of the sector's profits, choosing instead an obscure clause in the companies' licence. Nor did he make any comment indicating that he intends to interfere on dividend policies.

As Southern Electric immediately pointed out, it might derive a temporary benefit from its over-estimation of inflation, but that will depend on demand over the winter. It will, in any case, have the choice of compensating customers next year. If Professor Littlechild intended his letter merely as a reminder of his existence, he has made his point. Investors should not assume that all his missives will be similarly benign.

US economy

The latest report from the member banks of the US Federal Reserve is further gloomy evidence of sluggishness in the US economy. The chief concern of late has become the lack of consumer confidence. Even though real wages are starting to rise again, fear of unemployment may well channel the extra cash into savings. Industrial output is rather stronger: indeed, the consensus for GDP growth in the third quarter is running as high as 3 per cent. But this must chiefly be a matter of re-stocking in response to the apparent pick-up in consumer demand in the late summer. Whether this can continue into the final quarter must be open to doubt.

FT-SE Index: 2,561.1 (+1.6)



Source: Datastream

Meanwhile, the markets remain distinctly nervous over President Bush's talk of tax cuts. Long bond yields have moved from below 7.8 per cent to 8.1 per cent in the past three weeks. There is a perverse risk that this will itself be seen by the Fed as arguing against monetary easing. The picture bears an uncomfortable resemblance to that in the UK, with one important difference. If all else fails, the US retains the option of currency depreciation. On a trade-weighted basis, the dollar has already fallen by 5 per cent in the past couple of months. The UK should be so lucky.

UK tax

Complaints about the UK's controversial system of advance corporation tax (ACT) tend to follow a routine cycle, whose peak can normally be traced to the days leading up to the spring budget. This year there is a conspicuous difference. The squeals of anguish from UK companies have not died down since the chancellor got to his feet in March, and over the next few months are likely to reach an unprecedented fever pitch.

The reason is the recession, which has savaged UK profits and reduced the scope for companies to offset the ACT deducted from dividends against mainstream UK corporation tax. According to the 100 Group of top finance directors, there is now well over £2bn of unrelieved ACT sitting in UK balance sheets, a figure which is being added to at roughly £400m a year. Almost half the companies in the FT-SE are believed to have an existing or potential ACT problem.

Companies like BP, with large overseas earnings, have long had to swallow the pill; the question for those predominantly UK businesses which are having to cope for the first time is whether the increased profits which will accompany a UK recovery will automatically resolve the issue. Quite apart from the effect of inflation on the sums involved, critics are starting to wonder if there will ever be enough UK profit to exploit the indefinite carry forward provisions for surplus ACT. The challenge is particularly acute for companies expanding overseas: Trafalgar House, for example, says it is effectively paying 70 per cent tax on its overseas earnings.

The case against changing the system goes beyond its obvious value to the Treasury at a time of dwindling revenues from mainstream corporation tax. In the unlikely event of a successful campaign to allow unpenalised dividend payments out of overseas income, the problem would remain of whether to compensate non-taxpaying investors such as pension funds, who can reclaim the tax. The technical difficulties of combining a hybrid system like the UK's with say the US system – where companies and individuals are taxed separately on dividend receipts – are also extremely complex. The argument that the present system specifically encourages corporate investment in the UK, though, seems dubious.

In the absence of tax harmonisation which might allow ACT to be offset against other EC income, there seems every reason for companies to show dividend restraint in the interests of tax efficiency, and for shareholders to settle for the benefits in the share price. It is, however, a perverse regime that discourages overseas investment on the eve of the single market.

Eurotunnel

Yesterday's outburst of spleen from the Eurotunnel contractors may not have contained much that the market could not previously have guessed. But it is a depressing reminder that public sniping over the project has so far been the prerogative of Eurotunnel, with the contractors under an obligation not to reply. Now that the ban is lifted, an already volatile share price will be subjected to a two-way game of bluff and attrition in which the question of fundamental valuation will become more remote than ever.

Major faces political union row

Continued from Page 1

German officials believe that every effort has been made to accommodate British objections on the EC treaties. For example, it is now proposed that majority decision-making would apply only on foreign policy questions where there was already a basic consensus.

British officials say that although the UK is anxious to reach an agreement, Mr Major is not prepared to agree the common foreign and security policies sought by Bonn, nor accept a radical extension of the powers of the European Parliament.

Mr Major will tell Mr Kohl that even if he signed up to such proposals they would be rejected by the British parliament. That would render any agreement useless and perhaps create an irrevocable breach between Britain and its partners.

The prime minister, however, will also emphasise that Britain is prepared to make some concessions, both in terms of much closer European co-operation in foreign and defence policies and in strengthening the Community's institutions.

German jewellery maker says assay system breaches EC trade rules

UK precious metal laws challenged

By Tom Lynch in London

A GERMAN jewellery manufacturer has launched a legal challenge to the centuries-old British assay laws, which are designed to guarantee the quality of precious metals.

The laws require the precious metal content of any item weighing more than 1 gramme to be tested and hallmarked at one of four assay offices before it can be offered for sale as jewellery in the UK.

J. Kohle, a jewellery manufacturer based in Pforzheim, near Stuttgart, has served High Court writs on Mr Peter Lilley, trade and industry secretary, the London Assay Office, the British Hallmarking Council and the Worshipful Company of Goldsmiths, claiming that the assay laws are a restriction on trade under the Treaty of Rome.

The Worshipful Company, one of the ancient City of London guilds, was "assaying" gold and silver in the 14th century. In 1478, it set up an assay office at Goldsmith's Hall, and ever since jewellery has been taken to the hall to be assayed and hallmarked.

Gold items are scraped on a touchstone to remove a trace of metal, and the acid test indicates its purity. After testing, jewellery that meets the required standard is stamped with the UK mark, a mark for the assay office and a purity mark.

Britain's stamp of approval: modern hallmark shows the sponsor's or maker's mark, standard mark (sterling silver), assay office (London), and date letter (1988)

Germany is one of only three European Community countries which do not run a statutory system for testing the quality of precious metal. The UK industry believes the action by Kohle, one of Germany's leading manufacturing jewellers, reflects the German view that hallmarking is unnecessary.

Jewellery interests in the UK and other EC countries which have or support hallmarking systems have failed to persuade the European Commission's competition directorate to bring forward a draft directive harmonising standards for independent, compulsory testing of jewellery.

France, the Netherlands, Ireland, Portugal and Spain have compulsory and independent testing, Italy, Belgium and Denmark have a voluntary system, and Germany, Greece and Luxembourg rely on controls imposed by manufacturers.

UK manufacturers argue that hallmarking protects consumers and any public scandal about jewellery being misrepresented as of high quality would dent confidence in the industry and damage the business of reputable manufacturers.

In countries without hallmarking standards, they say, gold is sold with misleading purity labels, giving extra margin for unscrupulous manufacturers. Even with the existing rigorous testing, less than 1 per cent of the 9m items tested in the UK in the last quarter – about 24,000 – were rejected as substandard.

A minority of British manufacturers have some sympathy with the German action, arguing that hallmarking has sheltered the UK industry from foreign competition, preserving its antiquated, fragmented structure – much UK jewellery is still made in small, specialised workshops, and levels of investment are low.

In spite of the hallmarking laws, imports of 9 carat gold items – the lowest level of purity allowed under the assay laws – have risen from 5m items in 1986 to 8.4m last year.

The German case is not likely to be heard before June. The UK government said it would defend hallmarking.

Background, Page 10

Tunnel cash crisis

Continued from Page 1

TML said yesterday it was seeking a total of FFr11bn ($1.9bn) at 1985 prices. The largest single claim is for fixed equipment including tracks, drainage, power supply, signalling and cooling systems to be installed in the rail tunnels.

The dispute over costs has increased pressure on the contractors to make provisions to cover any potential losses on the contract.

British companies, which have reported big profit falls profits as a result of the recession in the UK construction industry, are anxious not to make provisions at this stage.

Delors says Efta deal will lead to larger EC

By David Buchan in Strasbourg

THE AGREEMENT on a 19-nation free trade zone in Europe signed earlier this week is a "major step on the road to enlarging the Community", Mr Jacques Delors, the Commission president, said yesterday.

The accord came after negotiations in Luxembourg between the European Community and the seven-nation European Free Trade Association (Efta) and will create a market of 380m consumers stretching from the Arctic to the Mediterranean.

The bloc, which is proposed to be formed in 1993, accounts for more than 40 per cent of world trade.

Irritated at being reminded that he originally launched the idea of a European Economic Area in early 1989 to reduce the incentives for countries to join the EC, the Commission president said "contrary to some newspaper reports, this [EEA] agreement was not designed to set up obstacles" to enlargement.

Mr Delors promised to keep the European Parliament as closely informed as the European Free Trade Association on the activities of the Brussels Commission. He was responding to MEPs' anxiety that Efta member states would match their influence in shaping future EC legislation.

"Don't forget we have the last word on this agreement," Mr Willy De Clercq, the Liberal chairman of the external relations committee, said in reference to the fact that the EEA deal must be ratified by the European Parliament as well as the 19 legislatures of EC and Efta states.

The European Economic Area treaty has to be ratified by all 19 national parliaments of EC and Efta states as well as the European Parliament.

Mr Delors said that after some 40-50 minor points had been sorted out, the treaty would be ready for signing in mid-November.

MEPs mainly sought information yesterday, rather than voiced criticism. Mr James Moorhouse, for the British Conservatives, praised "the excellent reportage of the Financial Times" but said "this is not sufficient for this House" which wanted official information about the complex deal extending the EC single market to seven more countries.

Mrs Karla Peijs of the Christian Democrat group wondered whether the EEA was necessary if all its members were soon going to be in the EC.

The European Greens expressed "condolences to the Efta countries for the environmental sacrifices they will have to make" in agreeing to common EEA standards.

Details, Page 2
Editorial comment, Page 16

WORLDWIDE WEATHER

		°C	°F
Ajaccio	S	18	64
Algiers	F	23	73
Amsterdam	C	12	54
Athens	S	24	75
Bahrain	S	29	84
Bangkok	C	32	90
Barcelona	F	15	59
Beirut	S	27	81
Belfast	C	10	50
Belgrade	S	11	52
Berlin	S	9	48
Biarritz	S	11	52
Bombay	S	34	93
Bordeaux	S	10	50
Boulogne	C	10	50
Brussels	C	10	50
Budapest	C	5	41
Buenos Aires	R	21	70
Cairo	S	31	88
Cape Town	S	20	68
Caracas	C	29	84
Casablanca	F	18	64
Chicago	F	17	63
Cologne	Dr	9	48
Copenhagen	S	8	46
Corfu	F	19	66
Dallas	C	23	73
Dublin	C	9	48
Dubrovnik		–	–
Edinburgh	S	8	46
Faro	S	18	64
Florence	S	15	59
Frankfurt	C	8	46
Geneva	S	8	46
Gibraltar	C	18	64
Glasgow	Fg	4	39
Helsinki	F	4	39
Hong Kong	S	25	77
Innsbruck	F	5	41
Inverness	S	10	50
Islamabad	F	27	81
Istanbul	F	14	57
Jakarta	C	32	90
Jersey	S	13	55
Johannesburg	C	25	77
Lima	C	20	68
Lisbon	S	14	57
London	C	9	48
Los Angeles	F	18	64
Luxembourg	C	8	46
Madeira	R	19	66
Madrid	F	10	50
Majorca	S	17	63
Malaga	S	19	66
Malta	F	23	73
Manchester	C	9	48
Manila	C	32	90
Melbourne		–	–
Mexico City	C	20	68
Miami	F	26	79
Milan	S	12	54
Montreal	C	3	37
Moscow	R	2	36
Munich	R	4	39
Nairobi	F	26	79
Naples	S	17	63
Nassau	F	30	86
New Delhi	S	31	88
New York	S	13	55
Nice	S	16	61
Nicosia	S	27	81
Oporto	S	15	59
Oslo	C	8	46
Paris	C	11	52
Peking	S	17	63
Prague	F	7	45
Reykjavik	C	10	50
Rhodes	S	24	75
Rio de Janeiro	F	32	90
Rome	S	16	61
Salzburg	F	6	43
San Francisco	S	10	50
Seoul	S	17	63
Singapore	F	31	88
Stockholm	F	4	39
Strasbourg	C	5	41
Sydney	C	18	64
Taipei	C	27	81
Tangier	S	19	66
Tel Aviv	S	28	82
Tenerife	F	24	75
Tokyo	C	18	64
Toronto	S	7	45
Tunis	S	22	72
Valencia	C	14	57
Venice	S	12	54
Vienna	R	5	41
Warsaw	C	6	43
Washington	Fg	11	52
Zurich	S	7	45

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES

COMPANIES & MARKETS

Thursday October 24 1991

INSIDE

Li Ka-Shing takes full control of Husky Oil

Li Ka-Shing, the Hong Kong businessman, is to take full control of Husky Oil, one of Canada's largest independent oil, gas and sulphur producers. He will pay C$250m (US$223m) for the 43 per cent stake in Husky presently held by Nova Corporation of Alberta, the debt-burdened gas pipeline and petrochemicals group. Page 22

Smiths Industries steady

Smiths Industries, the UK-based aerospace and medical equipment group, has maintained profits despite a drop in sales. Sales fell from £673m to to £655.5m ($1.1bn) in the year to August 3, but pre-tax profits were £300,000 higher at £120.3m. Page 26

Hangover for French wine

A river of Beaujolais nouveau is waiting to cascade on to world markets in mid-November in what has become one of the most spectacular triumphs of French winemakers. But the French wine and spirits industry is not in a festive mood. Analysts say it is likely to suffer from a hangover in the 1990s because of an extremely competitive international climate and price-conscious consumers. France's unquestioned predominance in wine and spirits exports is also being seriously put to the test, raising a series of daunting challenges for the future. Page 28

Office suppliers suffer

It has been a gloomy few months for European and Japanese shares in the telecommunications and office equipment sector. Worldwide, shares in the computers, communications and office equipment group have not fared too badly. According to statistics from County NatWest WoodMac, the whole sector rose 1.7 per cent in the quarter from June 30 to September 30 this year, compared with rise of 3.3 per cent rise in the overall World Index. Page 40

Relief over waste management

When Waste Management unveiled its third quarter results last week, the relief on Wall Street was palpable. They were evidence that the industry was still growing. Only a month earlier, Wall Street had been jolted by bleak projections from Browning-Ferris, the second biggest US waste disposer. These figures knocked the accepted wisdom on Wall Street, which was that waste management was a growth industry, immune from recession. But 1991 has highlighted the industry's vulnerability – not only to recession but also to environmental pressures. Page 22

Daimler-Benz shares rise

Shares in Daimler-Benz, the German car-manufacturer, gained 1.6 per cent in price yesterday on reports that Kuwait is arranging a bond issue which would be convertible into its holding of the German group's shares. Back Page

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
DLW	530	+	13
KHD	138.5	+	8
Philips Kommun	545	+	20
Falls			
Fag Kugel	223	−	22
Leifheit	600	−	10
Porsche	652	−	13

NEW YORK ($)

Rises			
Comdisco	24⅝	+	2⅜
Compaq	35	+	1½
Plains Res.	29½	+	2⅝
Falls			
Nabisco (RJ)	10¼	−	⅛
Toys R Us	28⅝	−	1⅛
USX-Marathon	29⅝	−	2⅜

New York prices at 12.30.

PARIS (FFr)

Rises			
Immobanque	733	+	11
Falls			
Dollfus Mieg	325	−	10
Intertechnique	798	−	12
Printemps	830	−	10
Sp.Batignolles	424	−	12
Unibail	672	−	12

TOKYO (Yen)

Rises			
Casar	875	+	85
Daiwa Heavy	1220	+	120
Hodogaya Chem	815	+	100
Nichiei Const	1310	+	190
Nihon Nohyaku	1650	+	200
Saibu Gas	650	+	100

LONDON (Pence)

Rises			
Aegis	189	+	6
Airsprung	268	+	14
Bridport-G'dry	85	+	6
Ent'prise Comp	17½	+	2½
Glaxo	1434	+	30
Hammocell	159	+	18
LASMO	336	+	14
ML Labs	878	+	83
Maxwell Comm	154	+	5
Premier Cons	45	+	3
Schroders NV	888	+	70
Scottish TV	615	+	12
Smith&Nephew	135	+	5¼
Trans World	74	+	6
Falls			
Elec Pkg pp(£)	2660	−	63
Graycoat	139	−	18
Lowe (Robt H)	13	−	3
Molynx	105	−	9
Penna	110	−	8
Rosehaugh	15	−	1½
Shoprite	323	−	29
Stanhope	34	−	3
WB Inds	42	−	8

Compaq regroups amid fall in sales

By Louise Kehoe in San Francisco

COMPAQ COMPUTER, the US computer maker, will consolidate its operations worldwide and lay off 1,440 people, or 12 per cent of its workforce, in response to continuing "very soft conditions" throughout the personal computer market.

The company yesterday reported its first ever quarterly net loss including a $135m restructuring charge. Compaq's third-quarter sales revenues declined sharply to $709m from $863m in the same period last year.

After the restructuring charge Compaq reported a net loss of $70m, or 82 cents per share for the quarter. In the third quarter last year Compaq reported net income of $124m, or $1.38 per share.

Income from operations for the third quarter of 1991 was $17m. A tax benefit of $44m, based upon lowered estimates of taxable income for the year, reduced losses for the quarter by 13 cents per share.

"With third-quarter revenue still reflecting continuing softness in world economies, an ongoing slowdown in the personal computer industry, and a period of intense price competition, we have determined that a change in our cost structure is essential," said Mr Rod Canion, Compaq president and chief executive.

The layoffs, which are the first since the company was founded in 1982, will affect all parts of the company worldwide, and will occur over the next two weeks.

Compaq's headquarters in Houston, Texas, where the company employs about 9,000 people, will feel the brunt of the consolidation. At Compaq's operations in Scotland, about 150 jobs will be lost, said Mr John Dolan, managing director of Compaq Computer Manufacturing.

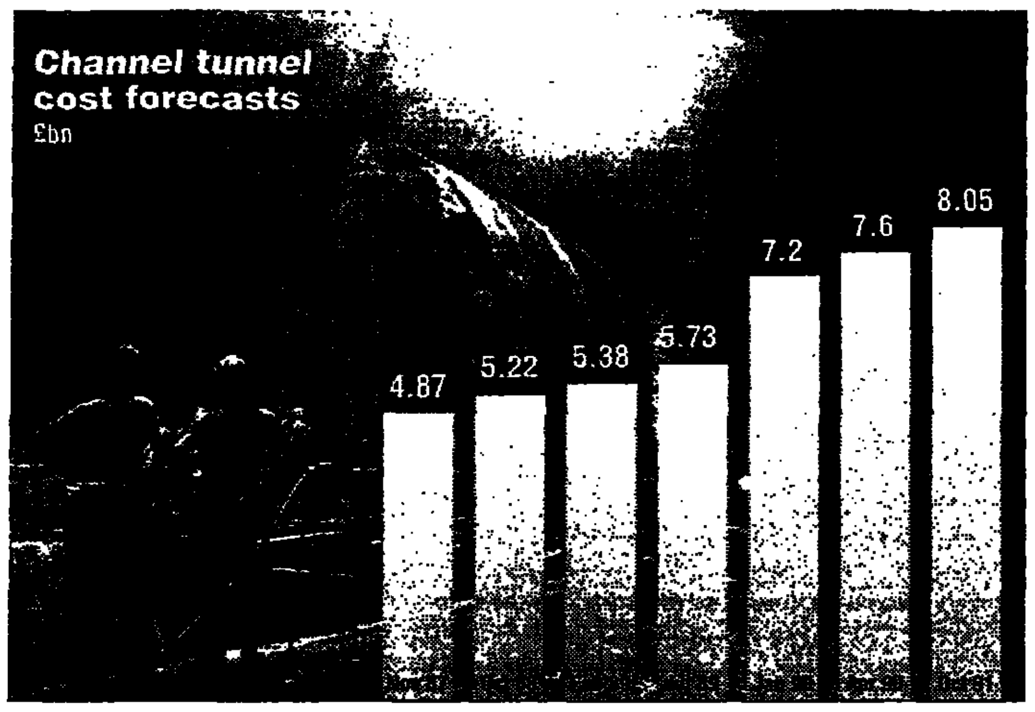
While US sales picked up in the third quarter, after a very slow second quarter, European sales were particularly soft, Mr Canion said. Although Compaq has increased its share of the European personal computer market in the past year, industry sales have declined.

Compaq will reorganise its operations into two business units, Mr Canion said. One will focus on personal computers and the other on multi-user computers and networking products. Each has different cost structures and distribution channels.

For the first nine months of 1991 Compaq reported net income of $64m, or 72 cents per share, down from $320m, or $3.62 per share in the same period a year ago. Sales for the nine-month period were $2.4bn, compared with $2.6bn last year.

Andrew Taylor on the war of words between Eurotunnel and TML

Entrenched views over tunnel costs



Accusations of blackmail and bullying occur frequently when talking to Eurotunnel, the Channel tunnel operators, and Transmanche Link, the consortium of 10 construction companies building the £8bn ($13.68bn) project.

Both groups say they will not be intimidated into paying for the huge increase in construction costs which they argue is the responsibility of the other side.

It is no different from many disputes which arise on buildings over who should pay when costs rise – only the numbers are much larger and the argument is being conducted in public when it would normally take place in private.

Yesterday's warning by Transmanche (TML) of a cash-flow crisis marked the latest phase in a dispute which recently led the contractors to threaten to halt work unless they are paid what they claim is the rate for the job.

Eurotunnel has responded by seeking a court injunction to prevent the contractors from carrying out their threat.

Halting work is the last resort of any construction company working on a job which threatens to become so unprofitable that it is worth taking the risk of being sued by an aggrieved client and the likelihood of having your reputation severely damaged.

In the last resort: if you are in a hole, stop digging.

It is in the interest of neither side to allow this to happen on the tunnel.

The harm to the reputation of the five British and five French companies for failing to deliver one of the world's most prestigious engineering projects would be enormous.

And who would Eurotunnel get to finish the project: Japanese or US contractors?

What would be the British and French authorities' response to that outcome?

The cost of delay, even if new contractors could be found, would be huge.

Sir Alastair Morton's reaction has been to threaten to "sue the pants off" the contractors if they breach the terms of their contract.

The contractors say they will only halt on those parts of the project where Eurotunnel has changed the design and where there is no agreement on resources to carry out the work.

The installation of a cooling system in the rail tunnels, which was not included in the original plans, has emerged as a potential flashpoint and is now the subject of a court hearing.

It is inconceivable that the project will not be completed.

The three tunnels connecting Britain and France have already been dug and lined.

In the last resort, somebody would pick up the pieces, buy the project, possibly at a distressed price, and finish the job.

The best solution for all parties, including governments, banks and shareholders, would be if some kind of mutually-acceptable negotiated settlement can be arranged between client and contractor.

The divide between the two, however, may be too great.

The size of the claims being made by the companies would suggest that either the contractors or Eurotunnel could face serious financial problems if either of them were forced to concede the amounts in full. Both, however, insist this is not the case.

TML is claiming additional payment of £800m in 1985 prices to cover the cost of fitting out the tunnels and building two passenger terminals, at Folkestone in Kent and Sangatte in northern France.

The value of the claims in current prices is thought to be about £1.2bn.

Of this Eurotunnel has already set aside a contingency of £200m at 1985 prices to cover additional payments which it believes it will have to make.

This represents about a quarter of the money being sought by the contractors.

The claim also includes the profit which TML expects to make on the job.

The 10 construction companies in addition are sitting on large profits from the Eurotunnel shares and warrants they received as founder sponsors and shareholders of the project.

This limits the potential losses to the contractors should they fail to win their claim.

Nonetheless, brokers have estimated that individual provisions of between £30m to £50m might have to be made by the 10 if they failed to win any increase in payments from Eurotunnel. These provisions, however, would be spread over several years and would be unlikely to exceed £10m in the first year.

The five British TML members have said collectively they will not make provisions for work for which they are determined to at least break even.

However, Taylor Woodrow, one of the five has indicated it would be prepared to make a provision this year, thought to be in the region of £10m.

French contractors have also said they would make provisions.

Eurotunnel, for its part, has already been forced to refinance the project which since 1987 has risen in cost from £4.8bn to £8.05bn.

Total funds raised currently amount to £8.7bn.

However, contractors say there is some flexibility within this budget as Eurotunnel will make savings from leasing rather than buying equipment as previously proposed.

Eurotunnel is also negotiating a top-up loan of up to £200m with the European Coal and Steel Community.

Both sides insist they would prefer a negotiated settlement but time is running out rapidly and there is no sign at this stage of either party shifting from their firmly entrenched views.

Lex, Page 18

News Corp to sell units in Australia for A$682m

By Kevin Brown in Sydney

NEWS Corporation, Mr Rupert Murdoch's media group, yesterday announced plans to raise A$682m (US$536.9m) by floating most of its Australian commercial printing and magazine operations.

Mr Murdoch said the proceeds would be used to repay part of the group's US$7.6bn debt, rescheduled earlier this year after negotiations with a syndicate of more than 100 banks.

News Corp is also selling its small Murdoch Magazines division, which publishes a group of titles aimed at Australian housewives. The group did not identify the buyer or the price.

Earlier this week News Corp announced a US$175m placement of exchangeable preference shares with US investors. The group has already repaid most of a US$800m debt due in February. A further US$400m repayment is scheduled in June.

Mr Murdoch said News Corp would retain a 45 per cent holding in the new company, Pacific Magazines and Printing. The remaining shares will be offered to Australian holders of News Corp shares and convertible notes by way of a one-for-three rights issue.

The issue, not be open to News Corp's US and UK shareholders, will raise A$382m. Pacific will raise a further A$300m in debt finance from National Australia Bank and Westpac Banking.

Mr Murdoch said the proceeds would "continue the group's debt-reduction strategy."

The flotation is in line with previous disposals of non-core assets since the completion of News Corp's refinancing agreement. However, analysts said it could presage further equity raising by News Corp to take advantage of the group's improving share price.

News Corp shares closed 30 cents down at A$12.90 on the Australian Stock Exchange before the announcement, compared with a low of A$3.30 during talks on the refinancing.

Pacific will combine News Corp's Australian commercial printing and distribution operations with the magazine interests of Southdown Press.

The commercial printing interests include Progress Press, Australia's largest combined printing and letterbox distribution business.

News Corp said Pacific's assets produced combined revenue of A$628m and operating profits of A$89.7m in 1991. Pacific expects to pay a dividend of 20.4 cents next year.

Stena seeks to borrow £40m as Sealink problems mount

By Robert Taylor in Stockholm

STENA LINE, the Swedish ferry operator, is seeking to borrow a further £40m ($68.8m) from the banks to meet its debt charges as the company faces a growing liquidity crisis with Sealink, its British subsidiary.

Trade union sources claimed that Sealink's income was insufficient to meet the company's debt charges. Stena Line needs financial support from the banks by the end of the year if Sealink is to survive.

The company's results for the first eight months, due to be published on Friday, are expected to underline the severe financial troubles facing Sealink. Stena Line is expecting to make a loss for the year of around £30m, mainly because of Sealink.

Mr Matts Kling, a company spokesman, yesterday declined to comment on the union claims.

However, he said: "I would not exclude the possibility that the company's board will comment on the situation at Sealink on Friday."

Stena Line announced last month that Sealink's labour force of 4,500 would be reduced 4by 1,500, some of its investments would be frozen and a number of its ferry routes would be cut including abandoning the service between Folkstone and Boulogne.

The company hopes that this action will result in savings of around £50m and enable Sealink to move slowly into balance during 1992.

Mr Mike Gibson, an official of the British seaman's union, RMT, said yesterday that Stena Line had made strategic mistakes since acquiring Sealink in March 1990 from Sea Containers for $606.5m.

He said, for example, that the company had calculated wrongly that cross-channel passengers would spend an average of £30 over and above their fares during their journeys as happened on the company's Scandinavian ferries. As a result, revenues were less than Stena Line had expected.

The problems at Sealink had been brought about by a combination of falling income from passengers and a substantial investment programme in fleet refurbishment and port modernisation.

Alcoa to build $70m car parts plant

By Barbara Durr in Chicago

THE ALUMINUM Company of America (Alcoa), the world's largest aluminium producer, yesterday signalled its intention to strengthen its position in motor components manufacturing.

It plans to build a plant in Germany to make aluminium car spaceframes and aluminium components for cars. Alcoa says similar facilities would eventually be set up in the US and elsewhere.

Audi, the up-market subsidiary of Volkswagen, will be the first customer for the German plant. It will be located in Soest, 60 miles east of Düsseldorf, in North Rhine Westphalia, and will initially create 180 jobs.

Audi is expected to launch next year an all-aluminium, top-of-the-range car based on technology it helped to develop with Alcoa. The car will compete with the BMW 7-series and the Mercedes S-class models.

Alcoa intends to take full advantage of the rush to aluminium by the motor industry. Its own forecasts suggest that demand from car-makers will rise from about 150m lbs last year to nearly 500m lbs in 1996.

The US group recently formed joint venture companies with Kobe Steel and Aluminium of Japan, one in the US and the other in Japan, to produce aluminium components for cars and light vans.

The wholly-owned German plant, the first of its kind, will cost $70m. However, by the time it is in place in 1993, Alcoa will have spent about $250m on its "aluminium-intensive" vehicle programme.

Alcoa's aluminium spaceframe, under development for seven years, is "the dawn of a new era in the way automobiles are manufactured", according to Mr Paul O'Neill, Alcoa's chairman. It will reduce car weight by 35 per cent or more – helping to improve fuel economy and cut emissions – but car sizes will be the same.

It is also expected to shorten production time while enhancing ride and handling.

To compensate for the higher cost of aluminium compared with steel, Alcoa has simplified production. For example, instead of 300 stamped steel components, which require spot welding to form a car's structure, less than 100 aluminium extrusions and die-cast nodes, welded by robots, are used in the spaceframe. Other aluminium sheet components can then be attached to the body.

Aluminium also has high recycling value, an attractive attribute as automobile recyclability receives increasing attention, especially in Europe. Legislation is pending in Germany that would require car materials to be recyclable by the year 2000.

Goodyear beats forecasts with $59m

By Karen Zagor in New York

GOODYEAR Tire & Rubber, the only surviving big US-owned tyres group, gave further signs of its recovery yesterday with third-quarter earnings which exceeded analysts expectations.

Goodyear turned in third-quarter net income of $59.1m, or $1.01 a share, compared with a net loss of $61.4m, or $1.06, in the 1990 period. Sales in the three months eased 2.1 per cent, to $2.8bn from $2.9bn.

The 1991 figures included one-time items which depressed earnings by about $52.9m. The 1990 third quarter included extraordinary charges of about $56.7m.

Mr Stanley Gault, Goodyear's recently appointed chairman, said the better-than-expected results reflected lower raw material costs, the benefits of restructurings "and our determination to reduce selling, administrative and general expenses through cost-containment measures".

Goodyear's cost-cutting measures included slashing about 12,000 jobs since 1989, and are expected to save the company about $165m a year, pre-tax, by the middle of next year.

Mr Gault attributed the decline in sales to continued weak demand from the depressed auto industry, and falling demand for Goodyear's higher-priced, premium tyres.

For the first nine months, Goodyear suffered a loss of $8.5m, or 15 cents, on sales of $8.1bn, against a loss of $49.9m, or 86 cents, on sales of $8.5bn a year earlier.

Shares in Goodyear, which were trading at about $25 before Mr Gault's appointment this summer, reached a 52-week high of $47⅞ at mid-session in New York yesterday, up $1⅞. The stock has traded as low as $12⅞ in the last year.

On the tyres side of the business, operating profits totalled $194.2m in the quarter, compared with $87.9m in the 1990 third quarter, when unusual charges of $46.4m were levied.

Turnover fell 2.6 per cent to $2.3bn. The company blamed the decline on competitive pricing and the general move to lower-priced tyres in the US replacement market.

In Goodyear's general products division, sales slid 2 per cent to $488.8m, while operating income increased to $51.1m from $46.5m. The improvement reflects lower raw material costs in the US and reduced selling, administrative and general expenses.

Goodyear narrowed its operating loss from its oil pipeline business, to $8.6m from $19.8m.

Sanlam business in R960m reshuffle

By Philip Gawith in Johannesburg

SANKORP, the industrial arm of the Sanlam insurance group of South Africa, has announced a R960m ($338m) reshuffle of its interests in the three conglomerates Malbak, Murray and Roberts (M&R) and Federale Volksbeleggings (Fedvolks), which lends greater focus to their activities.

The effect of the transactions is to strengthen Malbak's consumer focus, particularly in the food and pharmaceutical sectors, to bolster M&R's position in the fixed investment sectors, while Fedvolks emerges with an enhanced profile in the services industry. All the purchases will be settled by the issue of shares.

Mr Marinus Daling, chief executive of Sankorp, said: "The deal reflects the utilisation of significant rationalisation opportunities which will benefit all shareholders. In addition, we hope the new profile of these companies will have additional appeal for investors who seem to have a penchant for focused, rather than diversified, conglomerates."

The one leg of the deal involves Malbak, the manufacturing and industrial arm of the Gencor group, paying R304m to acquire a 60 per cent stake in Fedfood, which holds the food interests of Fedvolks. Malbak will also pay R259.3m to Fedvolks to buy a 68 per cent interest in SA Druggists.

The second leg of the deal involves M&R, the construction and engineering group, paying R102m to Malbak for a 35 per cent stake in Standard Engineering, and R297m to Malbak for a 61 per cent interest in Darling and Hodgson, the construction supplies company.

Malbak already has substantial pharmaceutical interests, and the acquisition of SA Druggists will make it the largest participant in the local health care market. It also controls a large food company, in Kanhym, and the Fedfood acquisition will give it greater clout in this business.

M&R's acquisition of Darling and Hodgson will enlarge its share of the construction materials market.

Cornelis Baan named as chairman at DAF

MR CORNELIS Baan is to take over as chairman of DAF, the Dutch commercial vehicles group, from May next year, writes John Griffiths.

Mr Baan, 53, is currently the group's vice-chairman. He will succeed Mr Aart van der Padt, DAF's chairman for the past 10 years, who is retiring.

Mr van der Padt, 59, steered DAF through its takeover of Leyland Trucks, the UK's formerly state-owned commercial vehicles producer in the late 1980s. He has subsequently overseen a substantial restructuring of the combined Anglo-Dutch operations.

Part of the legacy of the takeover is that British Aerospace, through its ownership of car maker Rover Group, is now DAF's single largest shareholder, with a stake of 16 per cent.

DAF and its UK arm, Leyland DAF, are expected to produce around 20,000 trucks and 20,000 vans this year. In common with most other commercial vehicle makers, the group has been hit hard by falling European truck sales, particularly in the UK.

It made a net loss of Fl 179.1m ($90.9m) in the first six months of the year after a loss of Fl 32.1m in the corresponding period a year ago.

Mr Baan will see through integration of the two companies' product ranges over the next two years, chiefly through the launch of a medium-weight range of trucks.

Metsä-Serla in the red

By Enrique Tessieri in Helsinki

METSA-SERLA, Finland's third largest forest group, said the domestic recession and lower global demand for forest products had forced it into the red during the first eight months of the year.

The group reported a loss of FM291m ($70.8m) before appropriations and taxes, against a profit of FM74m in the same period last year.

Losses after financial items amounted to FM364m, against a profit of FM60m. Metsä-Serla's loss after financial items was attributable to FM164m in foreign exchange losses and FM150m in interest expenses.

Half of Metsä-Serla's losses per share were due to its minority holding stake within Repola, a forest group, and Metsä-Botnia, a pulp group.

According to local forest industry analysts, all of Finland's five listed forest groups are expected to make a pre-tax loss in 1991.

● NOKIA, Finland's second-largest listed group, has reported a loss in its result before extraordinary items during the first eight months of 1991. The group said that losses before extraordinary items reached FM301m, against a profit of FM188m in the corresponding period last year.

The telecommunication equipment manufacturing group's net profit, which fell to FM16m from FM188m, was boosted by FM317m in extraordinary items. These include FM247m from the divestment of JA/Mont-Nokia and a FM70m tax refund.

Ercros seeks buyer for mining business

By Tom Burns in Madrid

MR NARCISO MIR, the chairman of Ercros, the Spanish chemical group controlled by the Kuwait Investment Office (KIO), said yesterday he was negotiating the sale of Rio Tinto Minera (RTM), the holding's copper mining business in Huelva, south-west Spain.

Mr Mir, who was appointed chairman two weeks ago, said he intended to dispose of RTM's copper smelter, the second largest in Europe, and its mines. He wanted to sell them either together or separately within six months.

He said the group wanted to concentrate on its core interests in the chemical, fertiliser and weapons sectors. He declined to name potential buyers.

In January, Ercros sold its petrochemical division, Ertoil, to France's Elf Acquitaine. That sale was also designed to withdraw the group from activities in which it was unable to compete on an international level. The decision to sell RTM comes just over a year after Ercros acquired the company outright by buying the 49 per cent stake held by the UK's RTZ, for a reported Pta10bn ($93.5m).

RTZ lost interest in the Spanish mining venture because of rising labour costs and the low quality of the Rio Tinto mineral. The company incurred heavy losses and was involved in prolonged labour disputes in the mid-1980s.

Mr Mir said RTM hoped to break even this year.

Competing bids for drugs group

DEGUSSA and Merck, the west German pharmaceutical companies, have made competing bids to the Treuhandanstalt privatisation agency for Arzneimittelwerke Dresden, the east German pharmaceutical group, Reuter reports from Frankfurt.

The offers are thought to be worth at least DM100m ($59m). There are also offers from US and French pharmaceutical groups. A decision is expected within two weeks.

Hachette slips into the red with FFr30m interim deficit

By William Dawkins in Paris

HACHETTE, the French book and magazine publishing group, yesterday provided the latest evidence of the downturn in the advertising and publishing industries, with a swing into loss in the first half of this year.

The group made a FFr30m ($5.2m) group net loss in the first six months of this year, against a FFr261m profit in the same period of 1990. The swing is less sharp after exceptional items, since last year's figures were distorted by the FFr2.8bn sale of the central Paris headquarters of Hachette's newspaper distribution activities.

After one-off gains and charges, Hachette made a FFr28.6m net loss, against a FFr11.9m profit in the first half of last year.

Turnover rose by 4.6 per cent, from FFr14.21bn to FFr14.87bn, while net consolidated profits fell from FFr346m to FFr30m. Earnings are expected improve in the current half, but full-year net consolidated profits would still be down on last year's FFr619m.

The general economic slowdown hit hard in the first half, affecting the advertising income, especially for daily newspapers in France.

● Union des Assurances de Paris announced a 33.2 per cent decline in net group consolidated profit in the first half of 1991 compared with the same period last year, AP-DJ reports from Paris.

The company said the 1990 first-half figure was swelled by capital gains, in part from asset sales to finance the purchase of its 34 per cent stake in Groupe Victoire.

Based on present trends, UAP does not expect profits for the full year to vary much from the attributable net profit of FFr4.2bn ($720m) earned in 1990.

Assets under management at the end of the first half of this year were FFr345.1bn, up from FFr310.8bn a year earlier.

In addition, UAP had unrealised capital gains of FFr44.63bn, down from FFr51.2bn a year earlier. It said international business accounted for 47 per cent of its first-half turnover, but it gave no comparison.

Ashcroft may quit Attwoods

By Andrew Bolger in London

MR MICHAEL Ashcroft, chairman of ADT, is likely to step down today as non-executive director of Attwoods, the UK-based international waste management group which yesterday asked for its shares to be suspended and postponed announcing its annual results.

Attwoods is also expected to announce a rights issue in London today worth about £80m ($136.8m) to reduce its debts. The company's shares were suspended yesterday at 175p, down sharply from April's peak of 295p.

Analysts thought that the well-trailed rights announcement had been delayed by reluctance on the part of Attwoods main shareholder, Laidlaw, the Canadian waste services operator, to put more money into Attwoods.

Laidlaw acquired a 28 per cent stake in Attwoods in 1989 from ADT, the Bermuda-based car auction and security group, and has since raised its holding to 36.5 per cent.

Laidlaw's own balance sheet was weakened recently when it wrote off half its US$900m investment in ADT, increasing group gearing from 70 to 90 per cent. Relations between ADT and Attwoods soured earlier this year and it appears that Mr Donald Jackson, Laidlaw's chief executive, may have demanded the departure of Mr Ashcroft as his price for supporting the rights issue.

Attwoods, where Sir Denis Thatcher is deputy chairman, had been expected to announce annual profits of about £39m, compared with £28.5m last year. The company, which makes most of its profits in the US, had gearing of 60 per cent in April. At that time it sought to raise up to £40m by a placing with US institutions, but netted only £12.5m.

The once-fashionable waste sector has suffered a marked downgrading in recent months. Shares in Shanks & McEwan, the waste management company which in January bought Rechem, fell sharply last month after it issued a profits warning.

However, not all is gloom. Last week George Wimpey, the UK construction group, sold its waste management business for £105m to a joint venture between Wessex Water and Waste Management of the US.

The market may even have a takeover to consider. Severn Trent, which has been sitting on a 29.9 per cent stake in the Caird Group after lapsing its 100p a share offer last year, is free to rebid from today. Caird shares closed unchanged at 121p.

Imperial Oil returns to profitability

IMPERIAL OIL, Canada's largest integrated oil company, returned to overall profitability in the third quarter, but was still affected by weak crude oil and natural gas prices and tight downstream margins, writes Robert Gibbens.

Imperial, controlled by Exxon, turned in third-quarter profit of C$76m (US$67.4m), or 39 cents a share, including a gain of C$44m on asset sales, on revenues of C$2.3bn.

This compares with a loss of C$63m, or 33 cents, in the second quarter and profit of C$194m, or C$1.01 a share, a year earlier, when revenues were C$2.7bn.

For the first nine months, Imperial earned C$128m, or 66 cents, after special gains, down from C$582m, or C$3.05, a year earlier.

Total debt at September 30 was C$2.4bn, or 25 per cent of capital, indicating that the C$5bn takeover of Texaco Canada has been fully digested.

Japan's brokers hit by scandals

By Robert Thomson in Tokyo

JAPAN'S leading securities houses blamed the spate of financial scandals and continued weakness in the Tokyo stock and bond markets for sharp falls in revenue that left 10 of the 14 largest brokers with pre-tax losses for the first half to the end of September.

Each of the Big Four houses, Nomura Securities, Daiwa Securities, Nikko Securities, and Yamaichi Securities, said that investor confidence and their parent company results had been seriously hurt by the scandals, which included dealings with gangster groups and the compensation of select clients for investment losses.

Yamaichi reported a pre-tax loss of Y5.4bn ($41.2m), its first for 27 years, having suffered a Y12.3bn loss on its own securities trading and a 25.1 per cent fall in commission income, which was undermined by a Tokyo stock market turnover down 34 per cent on the previous half.

The announcement of Nomura's pre-tax profit, down 64.4 per cent to Y39.7bn, was accompanied by a warning that the company was still unclear about the effect on second half performance of the present suspension of business.

More than half of its branches are forbidden to sell stocks for up to six weeks as punishment for having "execessively" promoted a stock in which an alleged gangster had taken a large stake.

Mr Toshiki Kaifu, the prime minister, and Mr Yasushi Mieno, governor of the Bank of Japan, yesterday warned the brokers that they must get their financial affairs in order, with Mr Kaifu suggesting that the industry "change its outlook and establish a code of ethics" in order to regain investor confidence.

All brokers suffered in the first half. Daiwa reported a 70.2 per cent fall in pre-tax profit to Y20.6bn, while Nikko's pre-tax profit was down 64 per cent to Y12bn. The plunge in profits followed large falls in the same period last year, when declines for the Big Four ranged from 55 per cent to 74 per cent. But most houses were confident yesterday that the worst of the scandals was over and that the market had begun to recover from the problems plaguing it since early last year.

Yamaichi is expecting a pre-tax profit of Y20bn for the full year to end March, while the other houses predict an increase in commission and underwriting income in tandem with the hoped for recovery in share prices. The Nikkei index hit the 25,000 mark this week for the first time in four months, in spite of the business suspensions, which reduced the Big Four's share of turnover by about half.

BIG FOUR JAPANESE BROKERS: PARENT COMPANY RESULTS

	Nomura		Daiwa		Nikko		Yamaichi	
	Ybn	% change	Ybn	% change	Ybn	% change	Ybn	% change
Operating income	246	-27.4	193.6	-20.4	165.3	-9.8	138.6	-19.2
Commissions	147.1	-30.2	101.1	-34.3	97.4	-34.4	97.6	-25.1
Profit on securities sales	20.8	-24.4	17.9	-	8	-	-12.3	-
Operating expenses	202.58	-11	166.4	-3.7	147.6	-0.6	140.8	-0.8
Pre-tax profit	39.7	-64.4	20.6	-70.2	12	-64.1	-5.4	-
After-tax profit	18	-67.4	10.8	-66.9	1.2	-93 8	-3.8	-

Source: Company reports

Nikkei index provides some cheer

Leading houses see early return to normal, writes **Robert Thomson**

The inevitability of yesterday's poor returns announced by leading Japanese brokers did not stop government leaders or the Bank of Japan from reminding the houses one more time that they face a bleak future if investors lack confidence in the stock market.

In spite of the outrage accompanying Japan's various financial scandals, the leading brokers have remained remarkably confident that they will soon be back to business as usual.

Nomura Securities, the largest house, said estimates for the second half have not been revised, even though more than half of its branches are banned from stock sales for four or six weeks.

Nomura, in explaining a 64.4 per cent fall in pre-tax profit to Y39.7bn ($30.3m) apportioned the blame to the "adverse effect on the stock market engendered by the securities and financial scandals and the coup in the Soviet Union".

While the Soviet coup is long over, it remains to be seen whether Japanese investors, who have had the industry's dark secrets revealed to them, will be as forgiving as the brokers presume they will be.

But perhaps the Tokyo exchange's characteristically eccentric performance in recent days, with the market inspired by claims of medical breakthroughs and a range of seemingly spurious rumours, is cause for confidence among the Big Four brokers.

They will have been heartened by the increases in the Nikkei stock average, which plunged twice last year and has been the prime source of their profit problems since the end of 1989.

Nomura had received the harshest finance ministry penalty for "excessively promoting" the stock of Tokyu Corporation, a railway operator in which an alleged gang leader had acquired a large stake. All of the Big Four were banned last week from dealing with corporate customers for between one and three weeks as a penalty for compensating favoured clients.

The Big Four, Nomura, Daiwa Securities, Nikko Securities and Yamaichi Securities, reported falls in stock brokerage commission of between 36 per cent and 45 per cent for the first half. It is unlikely that they will be able to gauge investor sentiment until they have completed their penance – in the past week, their share of Tokyo market turnover has been about half the customary 30 per cent – but all are confident of improved returns in coming months.

Nomura reported that it handled 6.8bn shares during the first half, down 38 per cent from the same period last year, with revenue from stock brokerage commissions down 39.7 per cent to Y66.5bn. The broker underwrote 29m shares, showing a rise of 37 per cent, with a total value of Y60bn – down 44 per cent. Public offerings are still far below the levels of two years ago, although new issues began to increase during June and July.

The bond market was weak in the early months of the period, before gathering momentum on expectations of lower official interest rates, which came to pass on on July 1, when the official discount rate was reduced from 6 per cent to 5.5 per cent. But Nomura's bond trading volume fell by 28 per cent to Y166,000bn and its net gain on trading fell 81 per cent to Y5.4bn.

Other houses reported similar downturns, with Nikko's bond turnover down 16 per cent to Y139,000bn. Yamaichi said that losses on bond holdings were an important reason for its overall pre-tax loss of Y5.4bn, but that these losses are likely to be reduced in the second half.

It is expecting a profit of about Y20bn for the full year, down from Y59.5bn last year, and reckons that the punishments imposed by the Finance Ministry will cost it Y2bn to Y3bn in lost income.

Daiwa, which insists that it will not make a grab for top spot during the enforced idleness of Nomura's sales people this month, reported a 34.3 per cent fall in securities commissions to Y101.1bn, which accounted for just over half of total operating income of Y193.6bn.

All of the houses now claim to be exercising "self-restraint" in recognition that Nomura's tougher penalty is is intended as a warning for the entire industry.

Daiwa's financial revenue fell 20.2 per cent to Y74.59bn, while profit on its bond dealings fell 21.6 per cent to Y9.45bn. For the full year, Daiwa is expecting a 58 per cent fall in profit to Y50bn and Nikko is expecting a 38 per cent fall to Y45bn.

Second-tier brokerages show hefty losses

By Emiko Terazono in Tokyo

JAPAN'S second-tier brokerages, hit by the fall in stock trading volumes, yesterday announced losses for the first six months to September.

Nine of second-tier brokerages – New Japan, Kankaku, Sanyo, Wako, Okasan, Cosmo, Tokyo, Dai-Ichi, and Yamatane – suffered losses due to sharp falls in revenues from stock broking, as the spate of scandals drove investors from stock investments. Only Kokusai Securities announced profits for the first half.

The second-tier securities houses, dependent on retail business, have been severely hurt by the continuing decline in trading by individual investors. Volumes in the stock market were especially depressed in August, with daily turnover falling 44 per cent from a year earlier.

Despite the fall in market share of the Big Four brokers, profits at most second-tier brokers for the year will remain depressed. Sanyo said the shift in bond underwriting business by government bodies to second tier houses would not be enough to boost profits.

New Japan posted the pre-tax loss for the first time since 1975, of Y20.2bn ($154.2m) due to a 30 per cent decline in commissions to Y41bn and a Y3.1bn loss on its securities dealings.

New Japan said it was considering a cut in bonuses for board members.New Japan predicts pre-tax losses of Y18bn for the full year to March.

Kankaku's pre-tax loss totalled Y18bn from a profit of Y5.7bn a year ago. Operating income fell 32.2 per cent to Y45.9bn on a 30.4 per cent decline in commissions and a Y2.1 loss in securities dealings. Operating expenses rose 2.5 per cent to Y84.4bn. For the full year, Kankaku expects a pre-tax loss of Y5.5bn.

Sanyo, posted a pre-tax loss of Y13.3bn on a 38 per cent fall in commissions to Y28.2bn. Sanyo said that an upturn in market share due to the business suspensions of the Big Four would have minimal effects on profits. For the full year, Sanyo expects to post a pre-tax loss of Y10.1bn.

Wako posted a pre-tax loss of Y6.6bn on operating income of Y39.7bn, and Okasan said pre-tax losses totalled Y2.3bn on operating income of Y31.6bn. Cosmo and Yamatane posted pre-tax losses of Y1.5bn and Y2.2bn respectively. Pre-tax losses totalled Y2bn at Tokyo and Y5.2bn at Dai-Ichi.

Kokusai managed to remain in the black with a pre-tax profit of Y2.3bn, down 89.8 per cent year-on-year. Operating income fell 30.3 per cent to Y61.1bn, but it managed to post a profit of Y11.4bn in securities dealings.

For the year to March 1992, Kokusai projects a pre-tax profit of Y14bn, Okasan Y3.6bn and Cosmo Y3bn on an expected rise in second-half market turnover. Yamatane estimates pre-tax profits of Y800m.

Hong Kong magnate takes full control of Canada's Husky Oil

By **Bernard Simon** in Toronto and **Angus Foster** in Hong Kong

MR Li Ka-Shing, the Hong Kong magnate, is further expanding his interests in North America by taking full control of Husky Oil, one of Canada's largest independent oil, gas and sulphur producers.

Mr Li and Union Faith, a company he controls, have agreed to pay C$250m (US$222m) for the 43 per cent stake in Husky currently held by Nova Corporation of Alberta, the debt-burdened gas pipeline and petrochemicals group. In addition, Husky will redeem preferred shares held by Nova for C$75m.

The transaction, which still requires regulatory approval, will lift Mr Li's stake in Husky to 95 per cent. The only other shareholder is Canadian Imperial Bank of Commerce, in which Mr Li has a minority interest. The deal is due to close on November 29.

Mr Li and Union Faith have agreed to pay an extra C$50m to Nova if there is a "significant sustained increase" in oil and gas prices in the next two years.

Nova said Husky requires "substantial additional equity investment" to sustain its capital spending and contain debt ratios. Nova, which itself needs heavy capital spending to expand its gas transmission system, said it was not willing to make the extra investment.

Husky lost C$56m in the first five months of 1991, and Nova acknowledged yesterday that the fall in oil and gas prices over the past year has forced it to lower the asking price for its stake. Nova will record a loss of about C$265m on the sale in its third quarter.

Husky has reserves of about 223m barrels of oil and gas liquids, 1,600bn cu ft of natural gas and 6.8m tons of sulphur. Besides its activities in western Canada, it has exploration programmes in Australia, Africa and south-east Asia.

Mr Li bought his initial stake in Husky in 1986. The latest investment is his second in less than a week in North America. Earlier this week he bought a 49 per cent stake in a Manhattan office block from Canadian real estate group Olympia & York Developments. Another Li-controlled company is redeveloping land on the fringes of Vancouver's business district.

Sluggish economy sends Chevron down to $313m

By **Karen Zagor** in New York

CHEVRON, the fourth biggest US oil and gas group, yesterday unveiled a 22 per cent decline in third-quarter earnings to $313m from $403m a year ago.

Special items added $82m in the latest quarter, compared with $80m a year earlier. Earnings per share fell to 90 cents from $1.14 while sales declined 5.7 per cent to $10bn from $10.6bn.

Mr Ken Derr, Chevron's chairman and chief executive, said earnings were depressed by the sluggish US economy, industry-wide over-capacity in chemicals, intense competition in some key gasoline market and low prices for natural gas.

For the first nine months, Chevron's net income fell 18 per cent to $1.25bn or $3.58 from $1.52bn or $4.30 in the same period of 1990. Special items swelled earnings by $178m in the first nine months of 1991 and added $144m to 1990 earnings. Revenues in the first three quarters rose to $30.6bn from $28.8bn last year.

Like other big US oil companies, Chevron's third-quarter comparisons reflect the exceptionally strong crude oil prices in 1990 after the invasion of Kuwait.

During the quarter, Chevron's earnings from US exploration and production plunged to $29m from $201m. Its average crude oil sales prices in the latest quarter dropped about $5.25 from last year to $16.95-a-barrel.

Harcourt junk bonds jump

By **Nikki Tait** in New York

JUNK bonds in Harcourt Brace Jovanovich, the ailing US publishing company which has been on the receiving end of an offer from General Cinema for many months, jumped yesterday when the bidder again extended a cash tender offer.

General Cinema is seeking control of at least 90 per cent of all five classes of bonds for which it is making a cash tender bid.

It had threatened to walk away on Monday if it did not reach this objective by then. However, yesterday the retail and entertainment group again extended the bid until 5pm local time, amid market speculation that discussions with bondholders were finally bearing fruit.

By Tuesday night, the bidder was, indeed, edging towards its target.

It had managed to top the 90 per cent level in three of the five classes – the 13 per cent senior notes, the 13¾ per cent senior subordinated debentures, and the 14¾ per cent subordinated discount debentures – and 89.35 per cent of all bonds had been tendered.

RJR Nabisco in the black following restructuring

By **Nikki Tait** in New York

RJR Nabisco, the tobacco and food group taken private in a record $25bn leveraged buy-out two years ago, yesterday reported a third-quarter profit of $123m after tax.

This compares with a deficit of $86m a year earlier, and means RJR is showing a $207m profit for the first nine months, as against a $416m loss a year ago.

The loss in the 1990 third quarter would have been even higher – at $194m – except for a $108m extraordinary gain from early debt retirement.

Earnings per share were 7 cents, compared with a loss of 36 cents in the third quarter of 1990. RJR Nabisco shares reacted to the the news by falling $¼ to $10¼.

Much of the group's improvement stems from astute management of its balance sheet and a series of financial restructurings which have cut its debt load sharply. Total interest expenses, for example, fell from $770m to $500m in the third quarter.

By contrast, operating profits rose much more modestly, by less than 8 per cent, to $762m. However, Mr Lou Gerstner, chairman, claimed that, given "the obvious recessionary pressures", the company was pleased with the figures.

In the food division, which has recently been subject to a reorganisation, underlying sales – after adjusting for the consolidation of the Latin American business – rose by 5 per cent to $1.6bn. "Business unit contribution" (profits before tax, interest, amortisation and depreciation) increased by 7 per cent to $228m.

In the huge tobacco division, sales worldwide rose by 3 per cent to $2.11bn, but domestic net sales fell by 1 per cent. Business unit contribution rose 4 per cent to $713m.

McDonald's advances to $258.7m

MCDONALD'S, the world's leading fast food chain, reported third-quarter net income of $258.7m, or 71 cents a share, up from $242.2m, or 67 cents, in the 1990 quarter, writes Barbara Durr in Chicago.

Total third-quarter sales were $5.27bn, up 6 per cent from last year's $4.99bn, though total revenues fell 2 per cent because of the sale of some restaurants to franchisees. US sales still lagged behind robust international sales growth.

The company has been fighting for market share in the US with discounting and heavy advertising.

For the first nine months, net income was $659.2m, or $1.80 a share, compared with $616.1m, or $1.69, in the year-earlier period.

Waste industry tries to dump slowdown

Karen Zagor and **Bernard Simon** find pressure over recession and the environment

WHEN Waste Management unveiled its third-quarter results last week, the relief on Wall Street was palpable. Although the figures were not exceptionally strong, they were evidence that industry growth had not come to a standstill.

Only a month earlier, Wall Street had been jolted by bleak projections from Browning-Ferris, the second biggest US waste disposer, which warned that its fourth-quarter operating results might fall by as much as 25 per cent.

Browning-Ferris blamed the decline on state requirements to minimise waste, increased emphasis on recycling and the recession's effect on commercial waste volume.

The accepted wisdom on Wall Street had been that waste management was a growth industry, immune from recession. The industry had grown steadily through earlier recessions and there seemed no reason to believe the 1990s would be different. But 1991 has highlighted the industry's vulnerability – not only to recession but also to growing environmental pressures.

The waste management industry has discovered that during recession many of its best industrial customers can reduce waste at source to save the high disposal costs usually paid to the management companies. The sharp drop in activity in areas such as construction has led to a parallel reduction in waste.

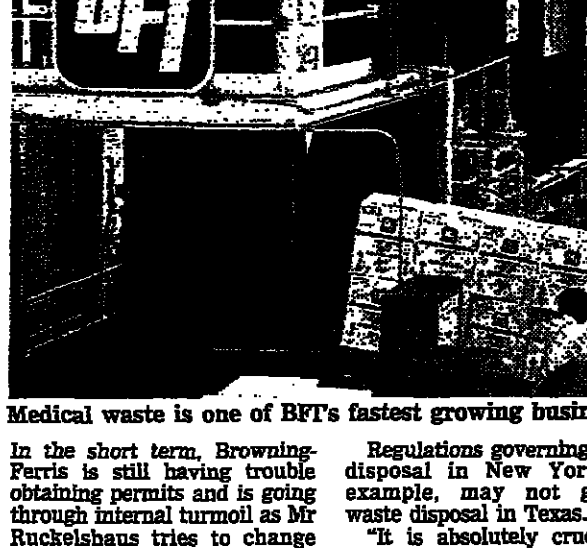
The strength of the environmental lobby has put pressure on law makers to implement stricter disposal policies, leaving the industry struggling to comply with increasingly stringent regulations which increase costs. Growth slowed across the board in the first half of 1991, and in some cases declined. Stock prices tumbled after disappointing earnings. Between February and September this year, Waste Management's issues lost 12 per cent of their value, Browning-Ferris plunged 29 per cent and Laidlaw's class B issues plummeted nearly 37 per cent. An exception was Chambers Development whose stock soared 29 per cent in the period.

Waste Management is the biggest, most diversified and most resilient of the big waste disposers. The company turned in a 9 per cent rise in underlying third-quarter profits to $207.2m or 42 cents a share on revenues up 22 per cent to $1.91bn. First-half revenues climbed 39 per cent to $3.63bn, but net income grew only 15 per cent to $372.6m.

Like Browning-Ferris, Waste Management's 1991 results reflect the recession's effect on solid waste collection and disposal operations. But Browning-Ferris's faces more difficulties.

It brought in Mr William Ruckelshaus, former head of the Environmental Protection Agency, three years ago to head the company and help clean up its image.

In the long term, Mr Ruckelshaus's appointment is expected to help with the regulators.



Medical waste is one of BFI's fastest growing businesses

In the short term, Browning-Ferris is still having trouble obtaining permits and is going through internal turmoil as Mr Ruckelshaus tries to change the corporate culture.

Mr Tom Fatjo, who founded Browning Ferris in 1966, believes one reason for the slower growth at big waste management companies is the difficulty of operating throughout the country from one, centralised, headquarters.

"There are two characteristics of the industry that are so basic that we tend to overlook them. Waste management is a disposal-driven industry and a grass roots industry."

Regulations governing waste disposal in New York, for example, may not govern waste disposal in Texas.

"It is absolutely crucial to own landfills," said Mr Fatjo, who now heads First Financial Alliance, a Houston-based investment banking firm specialising in the waste disposal industry.

Meanwhile, its difficulty in getting permits for landfill licenses has hampered growth. Similarly, lack of landfill ownership is believed to be one of the greatest weaknesses of Laidlaw, the Canadian waste services and school bus operator which last week turned in a net quarterly loss of $466m. Although the bulk of Laidlaw's deficit was linked to a $469m write-down in the value of its 28 per cent stake in ADT, the Bermuda-based car auction and securities group, the company also suffered from the sharp erosion in profits from its waste disposal operations.

In the three months to August 31, Laidlaw's income from hazardous waste fell to $12.2m from $24.9m. Earnings from solid waste dropped to $19.2m from $35.4m.

Mr Donald Jackson, Laidlaw's chief executive blamed the decline partly on the cyclical nature of the business.

Laidlaw does not own its landfills, and Mr Jackson confirmed some of its difficulties stem from the steep increase in landfill disposal fees. But the company has also been affected by the cost of complying with the changing environmental regulations in the US, and, as a result, is interested in disposing of up to one-fifth of its US solid waste operations.

The importance of owning landfills is well illustrated by Chambers Development Company, a solid waste disposer in Pittsburgh, Pennsylvania.

In the third quarter its net income soared 57 per cent to $14m on sales ahead 31 per cent to $86.4m. "They have growth right through the recession because they have focused to a greater extent on their landfill business," said Mr Silk, "and landfills are the key profit centre which supports their recycling business."

Whirlpool falls to $48m for quarter

By **Nikki Tait** in New York

WHIRLPOOL, the world's largest maker of major domestic appliances, yesterday reported a fall in third-quarter profits, from $60m to $48m after tax, but attributed this to an extraordinary gain in the 1990 figures.

It said that with the $36m pre-tax gain from the sale of assets to its joint venture business with Matsushita Electric excluded, there was an underlying increase of 30 per cent.

Third-quarter figures for 1991, moreover, bore the brunt of a $7m charge for restructuring costs at its Italian compressor manufacturing facilities.

Earnings per share dropped to 69 cents from 86 cents last time. Sales were $1.57bn, against $1.54bn.

In Europe, where Whirlpool now takes in the former Philips domestic appliance business, the US company said revenue growth had "outpaced the industry".

The company forecast that US appliance industry shipments would be down by about 5 per cent this year but would grow by 5 to 7 per cent next year.

Industry shipments in the Europe, it suggests, should end up 1 per cent in 1991 and rise "slightly" in 1992.

Deferred tax lowers Sears profit

By **Nikki Tait** in New York

SEARS, Roebuck, the US retail-to-financial services group whose profits and management have been under pressure recently, yesterday reported third-quarter earnings of $150.3m after tax. This compares with $179.2m in the same period a year earlier.

However, the damage was largely caused by a $82.9m deferred tax charge, attributed to Sears' Allstate insurance subsidiary.

The market had expected this, and new accounting rules should allow Sears to reverse the deferred tax charges – estimated at $250m for 1991 overall – next year.

Without this charge, after-tax profits would have risen 30.1 per cent to $233.2m, while operating profits rose 44.6 per cent to $201.8m. Sears shares added $¾ to $37⅛ on the news.

Despite the overall advance, there was little sign of improvement on the retailing front. Third-quarter profits in this sector fell to $54.4m, compared with $89.2m a year earlier.

Sears was affected by a $48m stock adjustment, following the annual stock-taking in September, although it claims that its "shrinkage" is still better than the industry average.

The retailer also said that sales and margins were down, because of ever-increasing competition and the depressed economy generally. Total sales for the division were $7.66bn, 2.1 per cent lower.

Allstate, however, showed a marked improvement, turning in profits – before the deferred tax charge – of $158.2m, compared with $108.7m. Dean Witter Financial Services showed a 61 per cent profits rise at $92.1m.

ITT blames recession for 16% drop

By **Martin Dickson** in New York

ITT, the US conglomerate, yesterday reported a 16 per cent drop in third-quarter earnings, which it blamed mainly on the recession. Mr Rand Araskog, chairman, said he saw the difficult environment continuing into 1992.

Net income for the quarter totalled $187m, or $1.38 a share fully diluted, compared with $224m, or $1.63, in the same period of 1990.

Sales and revenues dipped from $5bn to $4.9bn. The 1990 figures were depressed by a $26m after-tax charge for hotel loan write-offs.

ITT said operating earnings at its Hartford insurance group rose significantly because of continued improvement in life operations, higher net investment income and higher realised gains.

However, its financial division suffered a sharp decline in results because of high consumer lending losses and reduced volume in commercial finance.

ITT Sheraton, the hotels group, was helped by the absence of the 1990 write-off, but when that was stripped out the operating results were down, with occupancy rates low in all major markets.

Results at its communication and information services division showed strong gains, but earnings declined in its fluid technology, automotive and forest products businesses, as well as Alcatel, the leading telecommunications equipment company, in which it retains a 30 per cent stake.

ITT's electronic components business suffered an operating loss for the quarter because of substantial volume reductions in most major worldwide units.

Income at the group's defence operations improved slightly.

Abitibi-Price loses C$16.6m

ABITIBI-Price, controlled by Toronto's Reichmann family, suffered a third-quarter net loss of C$16.6m (US$14.7m) or 25 cents a share, compared with a loss of C$700,000 or 2 cents last time, writes Robert Gibbens in Montreal.

Revenues for the quarter fell to C$692m from C$756m.

The nine-month loss deepened to C$27.8m or 42 cents, against a loss of C$15.7m or 25 cents a year earlier, on revenues of C$2.15bn, against C$2.34bn.

Newsprint markets continued weak while groundwood papers held their own in the third quarter.

Coated paper improved with higher prices bringing benefits in the final quarter.

Anheuser-Busch rises to $260.7m

ANHEUSER-Busch, the St Louis-based brewing and food group, yesterday rolled out a 12.4 per cent increase in after-tax profits at $260.7m for the third quarter to end-September, writes Nikki Tait.

Operating profits were up from $476m to $517.7m, with the company selling 23.1m barrels of beer, a record number.

Sales overall were $3.39bn, against $3.12bn.

General Electric cuts jobs

GENERAL ELECTRIC Aircraft Engines, a unit of General Electric of the US, said it would eliminate 1,500 jobs by the end of 1992 to cut costs by $450m, AP-DJ reports from Ohio.

"GE Aircraft Engines faces a fiercely competitive marketplace," said Mr Brian Rowe, senior vice president at the suburban Cincinnati plant. "Due to a softened commercial airline market and a shrinking defense budget, our customers are more focused than ever on lower costs."

The company and its main competitor, Pratt & Whitney of the US, are the main producers of military aircraft engines for the government, a market that is under pressure due to defence cuts.

The company employs about 34,300 people nationwide.

It hopes to lose many of the jobs through attrition, but did not state where the cuts would be made.

INTERNATIONAL CAPITAL MARKETS

German bonds ease amid signs of rates squeeze

By Simon London in London and Patrick Harverson in New York

GERMAN government bond prices fell back yesterday amid signs that money market interest rates were being squeezed higher by the Bundesbank – a move that could presage higher interest rates throughout the economy.

However, trading volumes remained very light, with no new factors to drive the market. The benchmark 8¾ per cent 10-year Unity bond traded at 102.50, where the yield is 8.36 per cent, around 5 basis points higher than on Tuesday.

GOVERNMENT BONDS

The December bund futures contract on the London International Financial Futures Exchange closed at 85.71 from 85.89 on Tuesday. Volume was a sluggish 17,000 contracts.

Analysts pointed to a marginal tightening of money market interest rates at the Bundesbank's regular repurchase operation. This may herald the start of a general squeeze of interest rates at the shortest maturities which could lead to a further increase in the Lombard rate, currently 9.25 per cent, the Bundesbank's emergency funding rate.

At yesterday's money market repurchase operation, the Bundesbank allocated one-month funds at a rate of 9.05 per cent, up from 9 per cent last week.

Analysts said that money market interest rates could reach 9.20 or 9.25 per cent if the trend is continued in coming weeks. This would almost certainly lead to a rise in the Lombard rate.

■ JAPANESE government bond prices fell back again overnight in Tokyo, with investors again focusing on signs that the monetary authorities want to keep money market interest rates high.

The benchmark government bond issue No 129 closed the Tokyo day on a yield of 5.865 per cent, from 5.83 per cent on Tuesday.

The December futures contract closed at 10.08, from 100.26 on Tuesday. Futures prices slid more than cash bond prices as investors liquidate long positions built up over the past few weeks in anticipation of a lowering of interest rates.

Yesterday the Bank of Japan did not operate in the money markets, leaving unchecked a Y400bn net drain in liquidity. This was taken as a sign that the bank was unwilling to see money market interest rates fall further and was trying to squeeze rates higher.

However, key three-month interest rates on certificates of deposit remained at 6.3 per cent, unmoved by the bank's action.

■ UK government bond prices were stable yesterday in the absence of new economic data or political opinion poll results to drive the market.

The benchmark 11¾ per cent gilt maturing 2003/2007 closed up ⅜ of a point on the day at 112⅞, for a yield of 9.84 per cent.

The December gilt futures contract on the London International Financial Futures Exchange closed at 94.10, after opening at 94.04. Volume was a sluggish 14,500 contracts.

■ THE INTENSE selling pressure in the US bond market during the past week subsided yesterday morning, allowing bond prices to recover some of their lost ground on the back of decent overseas buying and sporadic short-covering in New York.

By midday the benchmark 30-year government bond was up ¼ at 100⅝, yielding 8.07 per cent. The two-year note was also firmer, up ⅛ at 100¼, to yield 5.966 per cent.

The morning started brightly after Japanese buyers had moved into Treasuries overnight in Tokyo, believing that the recent sell-off had opened up an attractive buying opportunity. Such buying was sustained when New York opened, although much of it was by dealers covering short positions established in previous sessions.

Although prices firmed, investors and dealers remain in an unsettled mood. The tax-cut bandwagon continues to gather pace in Washington, in the process undermining hopes that the Federal Reserve will ease monetary policy soon.

The Fed, in fact, chose to send a clear message that policy was unchanged when it executed a round of overnight matched sales agreements in the credit markets when the key Fed funds rate was 5¼ per cent. The matched sales were intended to drain reserves from the banking system and put upward pressure on the Fed funds rate, which at 5⅛ per cent was trading below the Fed's desired target of 5¼ per cent.

Trading activity was reported to be light, with many participants waiting on the sidelines until the afternoon auction of $13.5bn in two-year notes was completed.

The consensus among market watchers was that the sale would be met by healthy demand, and that the problems of the most recent auction (when insufficient demand left dealers holding large positions) would be not repeated.

■ THE London International Financial Futures Exchange (Liffe) starts trading options on *its Italian government bond* futures contract today. The futures contract, which was launched just over a month ago, has proved highly successful, with average daily volume of 8,200 contracts.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	112.2544	+0.284	10.04	9.99	10.52
BELGIUM		9.000	06/01	99.4000	-	9.08	9.04	9.20
CANADA *		0.750	12/01	104.3500	-0.100	9.08	9.06	9.38
DENMARK		9.000	11/00	100.3250	-0.075	8.94	8.90	9.12
FRANCE	BTAN	8.500	11/96	98.2302	-0.070	8.94	8.85	9.05
	OAT	9.500	01/01	104.3100	-0.020	8.78	8.72	8.85
GERMANY		8.750	08/01	102.6500	+0.030	8.34	8.26	8.45
ITALY		12.500	03/01	100.3700	-0.400	12.81	12.74	12.84
JAPAN	No 119	4.800	26/33	92.8719	-0.095	6.17	6.25	6.36
	No 129	6.400	03/00	103.1005	-0.058	6.86	5.91	6.03
NETHERLANDS		9.500	03/01	98.3300	-0.020	8.78	8.70	8.80
SPAIN		11.900	07/96	101.0500	-0.040	11.55	11.45	11.33
UK GILTS		10.000	11/96	100-21	+02/32	9.84	9.78	9.66
		10.000	02/01	100-30	+02/32	9.84	9.78	9.68
		9.000	10/08	95-00	+06/32	9.60	9.56	9.32
US TREASURY *		7.875	09/01	101-14	+03/32	7.66	7.44	7.58
		8.125	08/21	100-17	+09/32	8.08	7.88	7.89

London closing *denotes New York morning session. Yields: Local market standard. Prices: US, UK in 32nds, others in decimal. *Technical Data/ATLAS Price Sources*

D-Mark programmes draw strong interest

By Tracy Corrigan

THE D-MARK commercial paper market has shown rapid growth since its inception in February 1991. Existing programmes now total DM13bn, and market outstandings are estimated to fluctuate between 60 and 70 per cent of that figure, according to a special report on the sector by Moody's, the US rating agency.

In addition, a number of new programmes are expected to be launched in coming weeks, according to bankers involved in the market.

Investor appetite for the product has been spurred by the inverted yield curve in the D-Mark sector, while the opening of the market also coincided with an increased need for funds to finance capital spending by German companies, particularly in eastern Germany.

Twenty issuers have set up programmes so far, the largest of which is a DM5bn programme by Treuhandanstalt, the government-owned holding company made up of industrial concerns from the former East Germany. Other borrowers have come from the corporate sector, including top German companies such as Daimler-Benz, as well as German subsidiaries of foreign firms, such as Alcatel, the French communications company and Procter & Gamble, the US consumer products group.

For borrowers, the market can provide savings of 30 to 40 basis points, compared with domestic bank loans.

The market came into being after the German government abolished restrictions and tax constraints at the start of the year, as part of its programme to bring German financial markets more in line with international markets.

On the investor side, mutual funds are generally prohibited from investing more than 10 per cent of their total assets in such securities. Pure money market funds do not yet exist, although current restrictions will be relaxed after 1993. In addition, commercial paper cannot be used as collateral *for repo-transactions with the* Bundesbank.

Nevertheless, bankers say there is still plenty of slack in the existing investor base. Many insurance companies and mutual funds active in the market are investing excess liquidity in commercial paper.

Singapore survey finds more overseas investment

SINGAPORE companies are stepping up their overseas investments in portfolio and other financial instruments, according to a government survey, AP-DJ reports from Singapore.

The survey also found that these companies, which exclude financial institutions, mainly invested in neighbouring Asian countries.

While the trend to invest abroad is expected to continue as the Singapore economy grows with limited labour and *land resources, changes are* also expected.

More companies are said to be looking towards investing in the developed countries, as well as in the newly emerging economies of China, Burma and Vietnam.

The survey by Department of Statistics covers the years between 1976 to 1989, and is the first study to quantify such investments.

The companies were culled from the private sector, and their investment patterns were assessed in terms of size, type and geographical distribution.

The report found that Singapore's investment abroad rose from S$2.2bn at the end of 1976 to S$14.2bn at the end of 1989. The pace of growth picked up in the 1970s and was fastest between 1981 and 1985, the survey found.

The type of investment has also changed. From mainly direct investments in the 1970s, companies began augmenting their portfolio and other investments after 1981.

Manila considers further reforms

THE Philippines is considering easing foreign exchange and banking regulations to complement more liberal foreign investment rules passed earlier this year, according to Mr Jose Cuisia, the central bank governor, Reuter reports from Manila.

He said that the central bank was reviewing foreign exchange regulations with a view to step-by-step changes and examining rules on the repatriation of capital.

The central bank expected more foreign banks would be allowed to operate in the Philippines, he added.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 5.05 pm on October 23

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	102¾	103¼		6.58
ALBERTA PROVINCE 9 3/8 95	630	106⅞	107⅛	+⅛	7.33
AUSTRIA 8 1/2 00	400	101¾	102¼	-⅛	8.17
BANK OF TOKYO 8 3/8 96	100	102	102½		7.89
BELGIUM 9 5/8 98	250	108¼	108¾		7.98
BFCE 7 3/4 97	150	100¾	101¼	+⅛	7.56
BNP 8 5/8 94	300	104⅛	104⅝		6.82
BP CAPITAL 9 5/8 93	150	103¼	104⅛	-⅛	6.74
CANADA 9 96	1000	106⅛	106⅝		7.22
CARCO 9 1/4 96	650	103¾	104⅛	+⅛	8.36
CCCE 9 1/4 95	300	106⅛	106⅝		7.07
COUNCIL EUROPE 8 96	100	102½	102⅞	+½	7.38
CREDIT FONCIER 9 1/2 99	300	107⅝	108¼	-⅛	8.02
DENMARK 8 1/4 94	150	103⅝	104	+⅛	6.78
DENMARK 9 1/4 95	1571	106¼	106⅝		7.10
ECSC 8 1/4 96	193	103⅝	104	+⅛	7.37
EEC 7 1/4 93	250	101	101¼	+⅛	6.42
EIB 7 3/4 96	250	101⅝	102⅛		7.28
EIB 9 1/4 97	1000	107¼	107⅝	+⅛	7.73
ELEC DE FRANCE 9 98	200	105⅝	106⅛	-⅛	7.83
EURO CRED CARD TST 9 94	325	104¼	104⅞	-⅛	7.36
EUROFIMA 9 1/4 96	100	105⅝	106½	-½	7.64
EXPORT DEV CORP 9 1/2 98	150	108	108⅜		7.91
FINLAND 7 7/8 97	200	100¾	101¼	+½	7.65
FINNISH EXPORT 9 3/8 95	200	106¾	107¼	+⅛	7.37
FORD MOTOR CREDIT 9 1/2 93	300	103¼	103⅝	-½	7.69
GEN ELEC CAPITAL 9 3/8 96	300	106⅛	106⅝	-⅛	7.73
GMAC 9 1/8 96	200	103⅝	104⅛		8.09
HALIFAX 9 1/2 93	200	103⅞	104⅛	-⅛	6.91
IBM WORLD TRADE 7 5/8 93	150	101¼	102¼	-⅛	6.95
IND BK JAPAN FIN 7 7/8 97	200	99⅝	100¼		7.95
INTER AMER DEV 7 5/8 96	200	100¼	100⅝	-½	7.55
ITALY 8 1/2 94	1500	104⅛	104½		6.75
JAPAN DEV BK 8 94	150	103	103⅜		6.67
KANSAI ELEC PWR 10 96	350	108¼	108⅝	-⅛	7.74
LTCB 8 5/8 93	150	102¼	102⅝	-⅛	6.81
NEW ZEALAND 8 93	100	101⅞	102¼		6.72
NIPPON CRED BK 9 3/4 93	150	104⅞	105⅜		7.01
NIPPON TEL & TEL 9 3/8 95	200	105⅝	106⅛	-⅛	7.40
NORDIC INV BANK 9 93	200	103⅛	103⅝	-⅛	6.70
ONTARIO HYDRO 11 5/8 94	200	109⅝	110⅛	-⅛	7.02
OSTER KONTROLLBANK 8 1/8 93	200	102⅜	102⅞		6.26
PETRO-CANADA 7 1/4 96	200	99⅜	99⅞	+⅛	7.40
QUEBEC HYDRO 9 3/4 98	150	107½	108	-⅛	8.30
QUEBEC PROV 9 98	200	103⅛	103⅝	-⅛	8.29
SAINSBURY 9 1/8 96	150	105⅛	105⅝	+⅛	7.74
SAS 10 99	200	104½	105⅛	+⅛	9.11
SBAB 9 1/2 95	500	106⅛	106⅝	+⅛	7.35
STATE BK STH AUST 9 1/4 93	100	102⅞	103⅜	-⅛	6.81
SUMITOMO BK CAP MKT 9 3/8 93	150	104¼	104⅝	-⅛	7.16
SWEDEN 8 1/8 94	150	103⅛	103⅝	+⅛	6.80
SWEDISH EXPORT 9 5/8 93	100	104	104⅜		6.37
TOKYO METROPOLIS 8 1/4 96	200	103	103½		7.51
WORLD BANK 8 3/8 99	1500	103⅛	103⅝		7.93
WORLD BANK 8 3/4 97	1500	106¼	106⅝		7.48
XEROX CORPN 8 3/8 96	100	100¾	101⅛	+⅛	8.31
DEUTSCHE MARK STRAIGHTS					
BAPROVEN 11 1/8 95	200	101½	101½	+½	10.63
BULGARIAN TRADE BK 8 1/2 96	200	87½	87½	+2	12.09
DEUTSCHE FINANCE 7 1/2 95	1000	97¾	97¾	-⅛	8.25
EIB 5 3/4 98	400	88¼	88¼	-⅛	8.16
EIB 6 7/8 95	300	95⅛	95⅝	-⅛	8.18
EUROFIMA 6 1/4 98	400	89⅛	89⅝	-⅛	8.51
FERRO DEL STAT 5 3/8 93	500	96	96	-⅛	8.92
FIRST INTERSTATE 5 3/4 96	100	83⅞	84¼	-⅛	10.36
IND BK JAPAN FIN 5 5/8 96	200	88¼	88⅝		8.89
IND DEV BK INDIA 6 3/8 94	200	90	90	+1	10.22
LUFTHANSA INT FIN 5 7/8 98	500	87⅛	87⅛	-⅛	8.53
NACIONAL FINANCIERA 11 95	150	101	101		10.62
NAT BK HUNGARY 8 96	200	91⅛	91⅛	+⅛	10.31
QUEBEC HYDRO 6 3/4 99	300	89⅝	89⅞	-⅛	8.69
SWEDEN 6 1/8 98	300	88¼	88⅝	-⅛	8.46
VENEZUELA 8 1/4 93	100	98	98	+1½	9.35
WORLD BANK 0 15	2000	17⅞	17⅞	-⅛	7.39
WORLD BANK 5 3/4 96	300	90¼	90⅝	+⅛	9.33
WORLD BANK 7 1/8 95	500	97¼	97⅝	+⅛	8.11
SWISS FRANC STRAIGHTS					
ASIAN DEV BANK 6 10	100	87	88		7.38
AUSTRIA 4 5/8 98	100	87½	88	-½	7.15
CHUBU ELEC POWER 6 3/4 01	300	99¼	100	-⅛	6.85
COUNCIL EUROPE 4 3/4 98	250	88	88½		7.17
EEC 5 1/2 00	100	89	90	-½	7.19
EIB 6 1/2 98	600	97¾	98	-⅛	6.90
ELEC DE FRANCE 7 1/4 06	100	101	102	-½	7.13
FINLAND 5 3/8 95	150	94	95		7.14
GENERAL MOTORS 7 1/2 95	120	100¼	100¾		7.39
JAPAN DEV BK 5 1/2 94	100	95½	96	-⅛	7.69
KOBE 6 3/8 01	240	96½	97		6.87
NEW ZEALAND 4 7/8 99	200	86	86½		7.43
QUEBEC HYDRO 5 08	100	75¾	76¼	-⅛	7.64
WORLD BANK 5 03	150	83½	84¼	-½	7.11
WORLD BANK 7 01	600	101¼	101⅝	-⅛	6.81
YEN STRAIGHTS					
AUSTRIA 4 3/4 94	30000	97⅝	98		5.90
CREDIT FONCIER 5 1/4 94	20000	97⅞	98¼		6.05
DENMARK 7 95	40000	103	103⅛		5.95
EIB 4 5/8 94	40000	97¼	97½		5.86
FINLAND 6 3/4 96	50000	102⅝	102⅞		6.04
GENERAL ELECTRIC 5 3/4 93	35000	99¼	99⅝		6.28
INTER AMER DEV 7 1/4 00	30000	108⅝	108⅞		5.95
KANSAI ELEC PWR 4 5/8 94	60000	96½	96⅞		6.15
NIPPON TEL & TEL 5 7/8 96	50000	99⅝	99⅞		5.99
NORWAY 5 1/8 95	50000	97½	97⅞		5.94
SNCF 6 3/4 00	30000	105½	105⅞		5.89
SWEDEN 5 5/8 95	20000	98⅞	99¼		5.99
WORLD BANK 6 3/4 00	50000	105½	105⅞		5.89

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	94	95		9.56
KREDIETCORP 7 93 LFr	1000	95¾	96¾		9.58
WORLD BANK 8 96 LFr	1000	96¼	97½		9.06
ABN AMRO HOLDING 9 1/4 01 Fl	750	102⅛	102⅝		8.85
UNILEVER 9 00 Fl	500	103¼	103¾		8.44
BCE INC 9 5/8 93 C$	300	101⅛	101⅜		8.73
BELL CANADA 10 5/8 99 C$	150	104½	105	-⅛	9.75
BRITISH COLUMBIA 9 1/4 93 C$	150	100⅞	101¼		8.57
EIB 10 1/8 98 C$	130	103½	104¼	+⅛	9.35
ELEC DE FRANCE 9 3/4 99 C$	275	101⅝	102¼	-⅛	9.44
FORD CREDIT CANADA 10 94 C$	100	102⅝	103¼	+⅛	8.87
GENERAL ELECT CAP 10 1/4 93 C$	175	102⅞	103½		8.56
ONTARIO HYDRO 10 7/8 99 C$	500	105½	105⅞	-⅛	9.78
OSTER KONTROLLBANK 10 1/4 99 C$	150	104¼	104⅞	-⅛	9.42
QUEBEC PROV 10 1/2 98 C$	200	103⅝	104¼		9.76
ROYAL TRUSTCO 10 1/4 93 C$	100	100⅞	101¼		9.55
SWEDEN 9 3/4 93 C$	250	101⅝	102⅛		8.50
BELGIUM 9 1/8 96 Ecu	1250	100¼	100⅞		8.88
CNT 7 3/8 93 Ecu	250	96¼	96⅞		9.94
CREDIT LYONNAIS 9 96 Ecu	125	97½	99	-⅛	9.68
DENMARK 7 5/8 96 Ecu	250	92½	93⅛		9.74
EEC 7 5/8 94 Ecu	200	97	97½	+⅛	9.07
EIB 10 97 Ecu	1125	105¼	105⅝		8.70
ITALY 10 3/4 00 Ecu	1000	109⅜	109⅞	-⅛	9.04
UNITED KINGDOM 9 1/8 01 Ecu	2750	101¼	101¼		8.83
BP AMERICA 12 1/4 96 A$	100	106⅝	107⅛		10.22
COMM BK AUSTRALIA 13 3/4 99 A$	100	115⅞	116¼	-⅛	10.67
COUNCIL EUROPE 13 93 A$	50	102⅞	103⅛		10.49
EKSPORTFINANS 12 3/8 95 A$	75	107½	108		9.76
FORD CRED AUST 13 93 A$	50	102⅝	103⅛	-⅛	10.92
MCDONALDS CANADA 15 95 A$	100	114	114½		10.20
NAT AUSTRALIA BANK 14 3/4 94 A$	150	109⅝	109⅞		9.94
STATE BK NSW 14 1/4 99 A$	100	116⅝	117⅛	+⅛	10.97
VOLKSWAGEN INTL 15 94 A$	100	110	110½		10.18
ABBEY NATL TREAS 13 3/8 95 £	100	107¼	107⅝		10.63
BARCLAYS JERSEY 9 1/2 93 £	250	98⅞	99⅛	+⅛	10.28
BRITISH GAS 12 3/4 95 £	300	106⅛	106⅝		10.33
DEUTSCHE BK FIN 11 94 £	225	101⅛	101⅜		10.23
EIB 10 97 £	386.5	99¼	99⅝		10.17
FORD CREDIT FUNDING 9 5/8 93 £	50	98	98½	+⅛	11.07
INTER AMER DEV 11 3/8 95 £	75	103¼	103⅝	-⅛	10.21
ITALY 10 1/2 14 £	400	98¼	98½	+⅛	10.69
LAND SECS 9 1/2 07 £	200	84½	84⅞	+⅛	11.71
LEEDS PERMANENT 9 1/4 93 £	50	97⅞	98⅛		10.69
NORWAY 10 1/2 94 £	200	100⅝	101		10.13
ROLLS-ROYCE 9 5/8 93 £	150	98¼	98½		10.83
SAINSBURY 10 7/8 93 £	100	100	100½		10.79
SKANDINAVISKA ENSK 13 1/8 95 £	100	106¼	106⅝	+⅛	10.79
WORLD BANK 11 1/4 95 £	100	103⅛	103⅝		10.12
ABBEY NATIONAL 0 96 NZ$	100	63¼	64¼	-⅛	9.70
TELECOM NZ O/S FIN 13 1/8 93 NZ$	75	107¼	108¼	-⅛	8.81

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ALBERTA PROVINCE 1/32 93	500	100.17	100.27	6.5156
ALLIANCE & LEICS 0.08 94 £	300	99.55	99.65	11.2050
BANCO ROMA 0 03 01	200	91.54	92.54	6.4675
BANCO SANTO SPIRITO 93	200	99.58	99.70	5.6250
BELGIUM 1/16 97 DM	500	99.97	100.07	9.5000
BFCE -0.02 96	350	100.01	100.11	6.1050
BHP 05	300	95.78	96.49	5.5625
BRITANNIA 1/10 96 £	150	99.19	99.38	11.2250
CCCE 06 ECU	200	99.95	100.05	9.7500
CITIZENS FED 0.15 96	100	99.44	99.94	5.9625
COMMERZBK O/S FIN 93	200	100.00	100.11	5.8750
DENMARK -1/8 96	1000	99.74	99.84	5.6875
DRESDNER FINANCE 1/32 98 DM	1000	99.95	100.00	9.2813
ELEC DE FRANCE 1/8 99	400	100.44	101.07	6.0625
FERRO DEL STAT 94	200	100.73	100.98	5.9375
HALIFAX 1/10 94 £	200	99.98	100.05	11.1000
IRELAND 98	300	99.52	99.62	6.4400
ITALY 00	500	100.66	100.76	6.3750
MITSUI FIN ASIA 1/8 96	100	99.46	99.56	5.9375
MORGAN (JP) 1/4 97	250	99.10	99.73	6.0000
NAT WEST FIN 3/16 05	400	91.54	92.54	5.5000
NEW ZEALAND 93	500	99.99	100.10	5.7500
RENFE 98	500	99.88	99.98	6.0625
SOCIETE GENERALE 96	300	99.40	99.50	5.6250
STATE BK VICTORIA 0 05 99	125	98.39	98.64	6.4875
UNITED KINGDOM -1/8 96	4000	99.97	100.00	5.2500

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
BURTON GROUP 4 3/4 01 £	110	2.38	124¾	126¼	
CHUBB CAPITAL 6 98	250	86	99¼	100	+31.86
DAI-ICHI KANGYO 3 7/8 04	300	3251.8	100½	101½	+11.87
EASTMAN KODAK 6 3/8 01	300	50.67	99¾	100⅝	+11.61
GOLD KALGOORLIE 7 1/2 00	65	1.0554	74⅞	75⅞	+43.42
HANSON 9 1/2 06 £	500	2.5875	100⅞	101½	+20.69
HAWLEY 6 02 PREF	400	19.1	84⅛	88⅛	
HILLSDOWN 4 1/2 02 £	150	4.16	114	115	
LAND SECS 6 3/4 02 £	84	6.72	85½	86½	+13.77
LASMO 7 3/4 05 £	90	5.64	79¾	81	+39.69
MITSUI BANK 2 5/8 03	200	2337½	101¼	103¼	+15.47
MOUNT ISA FIN 6 1/2 97	100	2.283	88	89	+13.33
OGDEN 6 02	85	39.077	74½	75½	+50.01
SMITH & NEPHEW 4 02 £	90	1.775	117½	118½	+60.74
SUMITOMO BANK 3 1/8 04	300	3606.9	79½	80½	+16.74
TEXAS INSTRUMENTS 2 3/4 02	300	82¾	86½	87¾	
THORN EMI 5 3/4 04 £	103	7.45	117	118	+11.04

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price, the amount issued is in millions of currency units. Chg. day = Change on day
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn = The current coupon
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Data supplied by Association of International Bond Dealers

INTERNATIONAL CAPITAL MARKETS

Costain in £8.4m share repurchase

COSTAIN, the UK construction group, yesterday bought back £8.4m of its outstanding £48m convertible preference shares at a deep discount, following a dramatic decline in the price of the issue last week, writes Simon London.

The group said that the convertible preference shares had been bought at 77.5 per cent of face value, the prevailing market price. At this price the yield is 24 per cent, a level normally indicative of "junk" securities.

Until two weeks ago the preference shares were trading at around 90 per cent of face value. "There was a crisis of confidence in the company last week," commented one bond analyst.

The shares can be sold or "put" back to Costain at par in August 1993. It is unlikely that they will be converted into ordinary shares before this date.

The issue converts into Costain ordinary shares at £3.50, compared with a closing share price yesterday of 67p, unchanged on the day. This suggests that the whole £48m would be sold back to the company on the put date.

Investors were worried that the group, which is involved in the troubled Channel tunnel project, would be unable to refinance the debt.

Last month the company announced a 72 per cent fall in interim pre-tax profits to £5.7m. Net debt stood at £290m.

Costain said that the open market purchases, made via Swiss Bank Corporation, were financed out of internal cash resources. In April, the company raised £77m from a rights issue and some of this cash was still held on deposit.

Costain is not the first UK company to buy back convertible bonds in the open market at a deep discount to face value. Storehouse and Next, the UK retail groups with convertible bond issues outstanding, have made similar moves – rather than waiting for investors to exercise their put options.

Mexico launches 10-year issue

By Tracy Corrigan

INTERNATIONAL BONDS

THE STATUS of Latin American debt received a further boost yesterday when Nacional Financiera (Nafinsa), the financial institution owned by the Mexican government, launched a 10-year bond offering, the longest maturity of any Latin American debt issued since the debt crisis of the early 1980s.

The $150m deal, arranged by Chase Investment Bank, will be placed mainly with institutional investors, due to the longer maturity. The deal was an ambitious one: previous Latin American deals, of which there has been a gathering stream this year, have mostly been short-dated, with put options after two or three years.

Mexican debt is increasingly well-regarded, and the appetite of dollar-based funds for high-yielding securities should help make up for the loss of European retail investors, who will not buy such long-dated paper. The deal includes a 144a option which allows distribution in the US private placement market.

Several more deals for Latin American borrowers, including a $230m five-year deal for Petroleos de Venezuela and a $200m two-year issue for Argentina, are expected to emerge in the next week or so.

Elsewhere, Nationwide Anglia launched a $150m issue of floating-rate notes, the first dollar floater for a UK building society. The deal was swapped into floating-rate sterling. (Building societies are not allowed to keep foreign currency exposure.) The financing costs were comparable with the sterling market, but the deal allowed Nationwide to tap a broader investor base, at a time when there is an appetite for floating-rate dollar paper. Several other building societies are said to be considering this route.

In the Swiss market, foreign bond prices fell between ¼ and ¾ point, after two domestic issues were launched on Tuesday, both with coupons of 7 per cent. Bankers said domestic bonds usually offer coupons of 6¾ per cent to 6.80 per cent. Higher coupons on offer from the Swiss Mortgage Bank and Cantonal Bank of Zurich had enticed Swiss investors away from the international bond market.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Nacional Financiera(a)†	150	10⅝	99.29	2001	1⅝/1¼	Chase Investment Bk
Nationwide Anglia B.S.(b)‡†	*150*	*(b)*	*100*	*1996*	*30/20bp*	*Merrill Lynch*
Tokimec Inc.(a)♦	50	4¼	100	1995	2¼/1½	Nikko Europe
CANADIAN DOLLARS						
Bell Canada(a)†	150	9⅜	101.70	1996	1⅞/1.7	UBS Phillips & Drew
FRENCH FRANCS						
Caisse Nat.d'Autoroutes(a)†	1.7bn	9⅛	99.60	1996	25/15bp	Credit Lyonnais
PESETAS						
Eurofima(c)†	10bn	11.20	101⅝	1996	1⅝/1	Bco.Hispano-Americano
D-MARKS						
Sekisui Jushi Corp(a)♦	70	5⅛	100	1995	2¼/1½	Yamaichi Int.GmbH
SWISS FRANCS						
Capcom(d)★★§	100	4¼	100	1996	-	Nomura Bk (Switz)
AUSTRALIAN DOLLARS						
Tasmanian Public Fin.(e)†	100	10¾	99.65	2001	2⅛/1⅜	Deutsche Bk Cap.Mkts.

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Coupon pays 15bp over 3-month Libor. Non-callable. c) Matador issue. Non-callable. d) Put option 31/3/94 at 108⅜% to yield 7.545%. Coupon payable semi-annually. e) Amount increased from A$75m. Non-callable.

Ecu swaps market grows despite drawbacks

Tracy Corrigan on the limitations of financial instruments based on a basket currency

The limitations of a basket currency – which have held back the Ecu bond market despite the political support of European governments – are also thwarting the development of the Ecu swaps market. The main problem for both markets is the lack of end-users.

Despite this, the wave of international interest in the Ecu has boosted volume in the swaps market. According to the International Swap Dealers Association, the notional principal amount of Ecu interest rate swaps outstanding at the end of 1990 was $40bn, more than double the previous year's level. Figures for this year are not yet available but traders say the pace of growth may have accelerated.

A swap agreement is an exchange of liabilities between two (or more) counter-parties. Swap rates are linked to expectations on interest rates: for example, if a treasurer believes interest rates are rising, he may be keen to swap floating-rate for fixed-rate liabilities.

A swap agreement is often linked to a financing in the debt markets, since the form in which a particular borrower can most easily raise funds is not necessarily best suited to the borrower's needs. For example, a German firm may be able to raise relatively cheap funds in D-Marks, but needs to fund a subsidiary in the US. If it can find a US firm that requires D-Mark funds, the two can swap their liability payments to their mutual advantage (and to the benefit of the bank which acts as a middle-man). But most borrowers will only tap the Ecu market if they can then swap into another currency, because they do not actually need Ecu funds. (European governments have, for political reasons, been notable exceptions).

Consequently, there has been a constant search for arbitrage. The development of the Ecu swaps market has so far been driven by banks, which have become sophisticated users of the Ecu swaps market, while non-financial companies remain marginal.

"Unless there are payers of fixed-rate Ecu, there is no market," points out Craig Kersey, head of swaps at Mitsubishi Finance. "Without end-users, it's a zero-sum game."

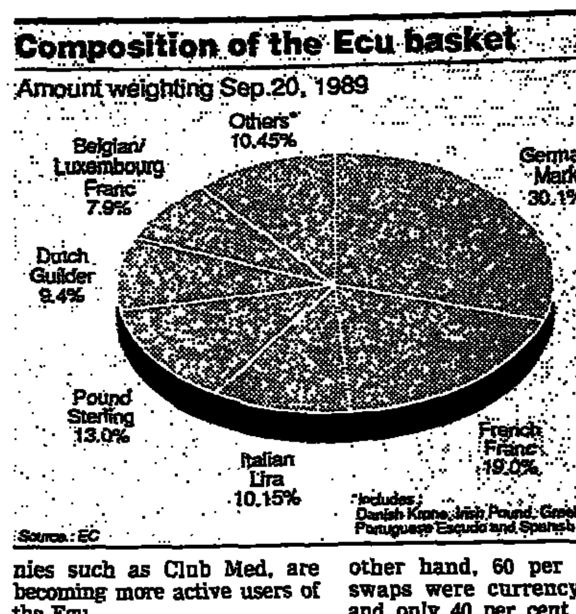
Some borrowers have been prepared to use the Ecu as their final liability currency. During the 1980s, French agencies and the Italian government raised funds in Ecu in order to make savings on interest payments (relative to domestic interest rates) while assuming limited currency exposure.

As European interest rates converge, there may be less incentive for some European Community borrowers, whose domestic rates are falling, to pay fixed-rate Ecu. But there may be new players, as countries outside the EC tie their currencies to the Ecu.

In particular, the linkage of the Finnish markka and the Swedish krona to the Ecu earlier this year has provided an incentive to Scandinavian companies to pay fixed-rate Ecu, since rates are substantially lower than in their domestic currencies. Meanwhile, some European companies, for example some large French companies such as Club Med, are becoming more active users of the Ecu.

Composition of the Ecu basket

Amount weighting Sep.20, 1989



*Includes: Danish Krone, Irish Pound, Greek Drachma, Portuguese Escudo and Spanish Peseta

Source: EC

UK corporate treasurers mostly remain cautious, partly due to their innate conservatism and partly because some are haunted by the memory of borrowings in Swiss francs in the 1970s which left them facing huge redemption payments, when the Swiss franc strengthened substantially against sterling.

The Ecu swaps market is still less liquid and less mature than the dollar, yen, D-Mark or even Swiss franc markets, according to dealers. In most liquid swap markets, the bulk of activity is in interest rate, rather than the currency, swaps. In 1989, interest rate swaps accounted for 80 per cent of volume in the dollar market and 70 per cent in the D-Mark sector. In Ecu, on the other hand, 60 per cent of swaps were currency swaps and only 40 per cent interest rate swaps in 1989. However, those proportions were reversed last year.

Further, there has been an unusually high concentration of maturities below five years – 90 per cent of Ecu interest rate swaps. This is due to the technical importance of the Italian government's domestic Ecu bond programme, under which bonds are typically issued with a five-year maturity. These Certificati del Tesoro in Ecu (CTEs) are subject to a 12½ per cent withholding tax for domestic investors, and consequently pay higher interest than Ecu Eurobonds, creating attractive arbitrage in the swaps market which foreign banks are well placed to exploit.

The boom in the bond market has been matched by steady growth in swap volume. "Nearly every issue used to be swapped, implying almost one-for-one growth," explains Carol Toliver, Paribas swaps head.

The Ecu swaps market has loosened its ties to the new issues market, although it has yet to gain real autonomy. In the last year or so, it has become easier to trade and easier to hedge, but liquidity is still rather thin.

This year, however, the creation of large, liquid Eurobond issues by sovereign borrowers has provided more efficient hedging tools for swap traders, as well as generating interest in the sector among a larger audience. In addition, banks can now hedge positions in the futures market. Matif, the Paris futures exchange, and Liffe, the London exchange, offer futures contracts on Ecu bonds, though in practice dealers say only the Matif contract offers sufficient liquidity for hedging purposes.

The increasing sophistication of the Ecu swaps market has also given rise to the creation of a swaptions market, mainly in caps and floors (which limit potential rises and falls, respectively, in interest rate exposure).

Banks have felt able to larger positions.

"Users will begin to see the Ecu not just as a surrogate but as a currency and a vehicle in its own right," said Mr Duncan Goldie-Morrison, head of swaps at NatWest Capital Markets. The meeting of the EC heads of government in Maastricht in December to decide the future shape of the Ecu could be a turning point.

Brokers appeal against SEC ruling on small-order system

By Patrick Harverson in New York

THE US Court of Appeals in Washington has been asked by a group of broking firms and private investors to review last week's Securities and Exchange Commission ruling that allowed the National Association of Securities Dealers (NASD) to restrict the use of its small-order execution system by professional traders.

The SEC responded to the request by agreeing to suspend temporarily its ruling, a move that prompted the NASD to file its own petition to the court asking for that suspension to be lifted.

The NASD originally asked for SEC approval to restrict member firms from entering orders into the automatic execution system, known as SOES, on behalf of professional traders because of complaints from marketmaking firms that make prices on the system.

The marketmakers have been increasingly unhappy that professional traders have been able to take advantage of big swings in share prices by filing batches of small orders through SOES before the marketmakers have had a chance to update their prices. This practice of "picking off" marketmakers has cost them money, they claim.

To cut down abuse of SOES, which was set up in 1984 to execute automatically stock trades of up to 1,000 shares for individual investors, the NASD asked the SEC to allow it to sharpen its definition of "professional traders" to include investors who regularly use the system for short-term trading and short selling. The association also won approval for a 15-second delay that will allow marketmakers time to update their quotes before trades are executed at the old price.

The SEC gave the green light to the NASD restrictions because it believes SOES was designed to serve small investors, not professional traders.

The traders, however, claim that the new rules are too restrictive, and will drive them away from the system. It is also argued that the SOES brokers who enter the orders into the system for the traders would stand to lose a lot of business if the SEC ruling stands. The traders and brokers complain that the NASD and the SEC are looking after the interests of the marketmakers, and not investors who use the system.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS — Wednesday October 23 1991

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	61	3	19
Corporations, Dominion and Foreign Bonds	9	3	8
Industrials	229	284	982
Financial and Properties	92	95	570
Oils	20	20	50
Plantations	2	0	8
Mines	49	22	82
Others	50	43	47
Totals	512	470	1,766

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. o Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ¶ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

FIXED INTEREST

[illegible]

TRADITIONAL OPTIONS

● First Dealings	Oct. 21	*For rate indications see end of London Share Service*
● Last Dealings	Nov. 1	Calls in Avesco, Barratt Devs., Enterprise Computer, Mountleigh and South West Water.
● Last Declarations	Jan. 23	
● For settlement	Feb. 3	

LONDON TRADED OPTIONS

[illegible]

October 23 Total Contracts 34,844
Calls 20,941 Puts 13,903
FT-SE Index Calls 1,834 Puts 2,418
Euro FT-SE Calls 90 Puts 1,295
Eurotrack 100 Index Calls 0 Puts 0
*Underlying security price. † Long dated expiry months.
Premiums shown are based on middle prices.

UK COMPANY NEWS

Grim reaper's sticks and carrots

Roland Rudd talks to the leader of Williams Holdings' hit squad

AS MANAGING director of Williams Holdings, Mr Roger Carr is often depicted as the grim reaper. When the industrial conglomerate makes an acquisition, it is Mr Carr's "hit squad" or special operations team which goes in on the first day. The first 24-hours are a one-way process: Mr Carr tells the existing management what he thinks their weaknesses are and what changes he expects from them. If they are not up to it they are out.

"It is not simply a ruthless approach", says Mr Carr. "It is a fresh clinical appraisal of what is needed to make the business work better. It is hard and challenging but not brutal."

Mr Carr, who had never given an interview before talking to the Financial Times yesterday, has deliberately kept a low profile since he was taken on in 1982. The foundry and engineering business of which he was then commercial director was acquired by Williams. Both Mr Nigel Rudd, chairman, and Mr Brian McGowan, chief executive, like to present the smiling face of Williams to the public. Mr Carr, who once told a colleague that he had never smiled in the last eight years, cannot afford to be nice. His job is to improve the businesses which Williams acquires.

He has a two-pronged strategy. The first is to change the culture of the newly-acquired businesses through a carrot and stick approach. The carrot is rewarding managers who have kept well within their budgets with big bonuses – up to 40 per cent of their salaries can be performance related. The stick is the threat of being sacked if the failure to keep to their budgets is regarded as their fault. "It is more subtle than saying if you overrun your budget you are sacked", says Mr Carr. "But at Williams Holdings no-one has a job for ever."

The second part of the strategy is to overhaul the structure of the business. "I like businesses to run with military precision" he says. There is no room for politics or waste." Thus the need for the hit squad.

All Williams' acquisitions, including Rawplug, Fairey Engineering, Dupont, Crown Paints, Kidde and Yale & Valor, have been subjected to the hit squad treatment, which started in 1982. Half of the 10 men on the team used to work on businesses acquired by Williams. Mr Chris Davies, the team leader, worked in the same foundry as Mr Carr and Mr David Fielding, finance director, was chief accountant of Crown Paints acquired by Williams in 1967.

The hit squad has been running Williams' most recent acquisition, the locks and domestic appliances group, bought for £330m in an agreed bid in February. By way of example, Mr Carr explained how the hit squad operated at Yale & Valor. A series of changes were implemented in four stages.

- On day one Yale & Valor's 144 managers were summoned to a hotel on "neutral territory". Mr Carr, along with the hit squad, gave Yale & Valor's management a presentation of its weaknesses and strengths and what his team intended to do over the next nine months. Every managing director at Yale & Valor was told to fill in a form giving details of sales, profits and other operating details at the site where they had worked over past years.
- Over the next 30 days the Williams' hit squad visited Yale & Valor's 44 operating locations. Seven of the team were dispatched to the core sites where Mr Carr decided most work had to be done. The other three moved across the other locations as they saw fit, confirming or adjusting their pre-acquisition perception of the business. As the hit squad learnt more about the company it began to plan how to change the business. By the end of the 30 days, Mr Carr says he had a good idea of what management changes were necessary.
- After 90 days the hit squad finished learning about the new business. The old management's assesment of the company was fed in to the team's own plans of what needed changing. Mr Carr says: "By this time we knew the number of people we could do without, the sites we planned to merge and the new standards of housekeeping we intended to implement." The new information was fed into an integrated control system.

Yale & Valor, along with all Williams' previous acquisitions, was given a monthly and yearly budget. Everything from its sales and gross margins to its net working capital will be drawn up over the next year and monitored monthly. If the budget is not met in any given month Mr Carr will want to know why.

"Both parties acknowledge that they are entering into a contract", says Mr Carr. "If it does not go according to plan, management must quickly address the problem." Mr Rudd has already said that he expects Yale & Valor's 11 per cent margins to increase by 5 per cent by the end of the year. The hit squad, which generally stays with the existing management for another four months after the first 90 days expires, is about to leave Yale & Valor. Mr Carr says he is content to have his own performance judged by Yale and Valor's results over the next year.

Ashley Ashwood

Roger Carr: does not present the smiling face of Williams

Williams wins Boeing contracts

Williams Holdings, the industrial conglomerate which has launched a £690m hostile takeover for Racal Electronics, yesterday announced it had won three contracts to equip the Boeing 777 long-haul passenger aircraft with fire protection systems.

The contracts are estimated to have a value of $10m (£5.8m), but Williams believes they could be worth up to $100m if the 777 sells as well as the 747.

Mr Roger Carr, managing director, said the contracts underlined Williams' expertise in technical fire products and electronics.

"I hope these contracts help nail the myth that we do not have the technological expertise to run Racal" he said.

The engine fire detection system will be supplied by the group's Walter Kidde Aerospace subsidiary, which is part of Williams' Fire and Safety International Fire Protection Division.

NEWS DIGEST

RH Lowe cash call to cut debts

ROBERT H Lowe, the troubled clothing manufacturer, yesterday called on shareholders for £3.4m via a 3-for-1 rights issue to reduce debt, writes Peggy Hollinger.

The group, which last year reversed into losses with a deficit of £453,000, is carrying gearing of 200 per cent on debt of more than £11.5m.

The issue of 37.9m shares is pitched at 10p per share, less than the nominal value of 25p. As a result, the company will have to restructure its share capital. For every existing 25p share, holders will receive a 1p share and a deferred 24p share. All rights of the 25p shares will pass to the 1p shares, and the deferred shares will, in effect, be redundant.

In addition, shareholders are being offered one warrant – to be redeemed at 10p in March 1993 – for every 10 new shares taken up.

The rights issue and restructuring will quadruple the share capital.

Shareholders will be asked to approve the reorganisation and the rights issue at a special meeting on November 15.

Mr Tony Cant, chairman, blamed the acquisition policy of the previous management – including the £4.5m all share purchase of Babygro in August 1988 – for an "unacceptably high" level of borrowings.

The shares closed 3p down at 13p.

House of Lerose just ahead to £0.43m

In the first half of 1991 The House of Lerose clothing company improved pre-tax profits slightly, from £409,000 to £425,000.

Although sales fell from £9.7m to £7.8m, directors said that strict cost control and rationalisation measures combined with a similar level of interest income as last time to produce the pre-tax result.

They added that trading conditions had further declined and they were examining ways of mitigating that trend to achieve a higher return on assets.

The interim dividend is held at 3p, payable from earnings of 4.9p (4.7p) per share.

An extraordinary £82,000 charge resulted from the closure of the garment manufacturing division at Coalville.

British & American Film rises 20%

A 20 per cent rise, from £575,000 to £690,000 in pre-tax profits was reported by British & American Film Holdings for the first half of 1991.

Net assets over the period rose from 799.5p to 841.1p per share.

Turnover jumped to £104,000 (£58,500) while investment income and interest receivable was up from £597,000 to £679,000.

Earnings per share were 18.58p (14.98p) and the interim dividend is increased by from 3p to 3.375p.

Suffolk Water achieves £1.8m

Suffolk Water, formerly East Anglian Water, announced pre-tax profits of £1.8m for the half year to September 30. In the previous 15 months profits amounted to £4m.

Earnings were 30p per share (72p for 15 months) and the interim dividend is 23.6p (37.95p).

The company said that due to its conversion to plc status in February comparable figures were not meaningful. It added that it had not increased average charges in real terms of the 1991-92 charging year and had agreed a further reduction in the K factor of 27 per cent with Ofwat for the 1992-93 charging year.

High street problems leave Wensum lower

Continued poor demand in the high street led to The Wensum Company reporting a 10 per cent contraction in profits for the six months to end-July.

This USM-quoted group supplies clothing to both corporate customers and high street retailers, usually under own brand labels.

Mr Andrew Hughes, chairman, said the downturn – from £369,000 to £332,000 – partly reflected the recent closure of a large part of GA Dunn, the menswear chain.

The closure of Dunn, historically one of the group's important customers, would "continue to influence performance for the foreseeable future".

The corporate clothing side reported reduced turnover as customers delayed launching new projects, and although design and development activity had "increased markedly" in recent weeks, benefits may not show through until late next year.

Group turnover amounted to £4.18m (£4.59m). The interim dividend is maintained at 1.15p, payable from earnings of 2.97p (3.21p) per share.

Marginal decline at Craig & Rose

Craig & Rose, the paint and varnish manufacturer, saw pre-tax profits slip from £42,000 to £40,000 in the six months to June 30 on turnover of £2.83m, against £2.8m.

Domestic sales continued to be affected by depressed trading conditions in the building sector and profit margins remained under severe pressure.

Turnover to end-September was similar to the corresponding period of 1990, but there was little evidence of any recovery in the current economic situation.

Earnings per share emerged at 7.01p (7.51p) and the interim dividend is maintained at 2p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Brit Amer Film ....int	3.375	Nov 22	3	-	9.3
City of Oxford ....int	1.2‡†	Nov 29	1.05	-	4.5
Craig & Rose ....int	2	Jan 10	2	-	15
Essex Water ....int	36.6	Nov 15	-	-	75.35‡
House of Lerose .....int	3	Nov 29	3	-	10.3
Plastiseal § ....int	1.5	Dec 7	1.5	-	3
Smiths Inds ....fin	6.8	Jan 8	6.3	10.7	9.9
Suffolk Water ....int	23.6	Nov 15	-	-	37.95‡
Wensum § ....int	1.15	Nov 25	1.15	-	3.5

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ‡For 15 months. ‡Second interim dividend; makes 2.4p so far.

Lombard Intl Assurance opens in Luxembourg

LOMBARD International Assurance, the first independent pan-European life insurance company, has opened the doors at its Luxembourg headquarters, writes Richard Lapper.

The company has been formed with the backing of a consortium of European financial institutions, including Standard Life, Europe's largest mutual life assurance company, to market unit-linked investment products through independent professional advisers and private banks in continental Europe.

Mr John Stone, chairman and chief executive, has a reputation as an innovator within the UK life assurance industry. Until 1980 at Vanbrugh Life he led the team which invented the pension loan-back – a scheme allowing investors in pension schemes to borrow against the future proceeds from their pensions – and in the mid-1980s he established Target Life as one of the more dynamic unit-linked life companies, particularly in the field of executive pensions.

He said that Lombard's aim was to develop "a range of unit-linked products tailored, country by country, to the differing investment preferences found across Europe."

Along with Standard Life, InterAllianz Bank of Zurich and Aberdeen Trust Holdings are also part of the European consortium.

According to Mr Stone, pan-European life assurance will be established as the third cornerstone of Luxembourg's financial services industry, alongside banking and mutual fund management. France's Union des Assurances de Paris has also established a pan-European company in Luxembourg.

The European Commission's third directive for life assurance will eventually allow the Continent's insurers to market products cross-border on the basis of regulation by their home country.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Aberdeen Petroleum, Airflow Streamlines, Boxmore, Hicking Pentecost, Jarvis, London American Ventures Trust, Radiotrust, Scottish Mortgage & Trust, Securities Trust of Scotland

Finals- Colorgen, Govett Strategic Inv Trust, Majedie Invs, Overseas Inv Trust.

FUTURE DATES

Interims-

Bimec Inds	Nov 11
British Steel	Nov. 11
Seafield	Oct. 29
Serif Cowells	Oct. 25
Tullow Oil	Oct. 31
Upton & Southern	Nov. 1

PUBLIC WORKS LOAN BOARD RATES

Effective October 23

	Quota loans*		
Years	EIP†	A††	At maturity§
1			$10\frac{1}{4}$
Over 1 up to 2	$10\frac{1}{4}$	$10\frac{1}{4}$	$10\frac{3}{8}$
Over 2 up to 3	$10\frac{3}{8}$	$10\frac{3}{8}$	$10\frac{3}{8}$
Over 3 up to 4	$10\frac{3}{8}$	$10\frac{3}{8}$	$10\frac{1}{2}$
Over 4 up to 5	$10\frac{3}{8}$	$10\frac{3}{8}$	$10\frac{1}{2}$
Over 5 up to 6	$10\frac{3}{8}$	$10\frac{3}{8}$	$10\frac{5}{8}$
Over 6 up to 7	$10\frac{3}{8}$	$10\frac{1}{2}$	$10\frac{5}{8}$
Over 7 up to 8	$10\frac{1}{2}$	$10\frac{1}{2}$	$10\frac{3}{4}$
Over 8 up to 9	$10\frac{1}{2}$	$10\frac{5}{8}$	$10\frac{3}{4}$
Over 9 up to 10	$10\frac{5}{8}$	$10\frac{5}{8}$	$10\frac{7}{8}$
Over 10 up to 15	$10\frac{3}{4}$	$10\frac{7}{8}$	$10\frac{7}{8}$
Over 15 up to 25	$10\frac{7}{8}$	$10\frac{7}{8}$	$10\frac{3}{4}$
Over 25	$10\frac{7}{8}$	$10\frac{3}{4}$	$10\frac{3}{4}$

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. ††Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest) § With half-yearly payments of interest only.

UK COMPANY NEWS

Forecast of tough times to come with further job cuts in prospect

Smiths Industries static at £120.3m

By Andrew Bolger

STATIC PROFITS, a fall in orders and further job losses were yesterday announced by Smiths Industries, the aerospace and medical equipment group.

Turnover fell from £673m to £655.5m but pre-tax profits in the year to August 3 were ahead £300,000 at £120.3m.

Mr Roger Hurn, chief executive, said this had been an outstanding achievement, but warned: "The current year will not be easy since I am not expecting any general upturn."

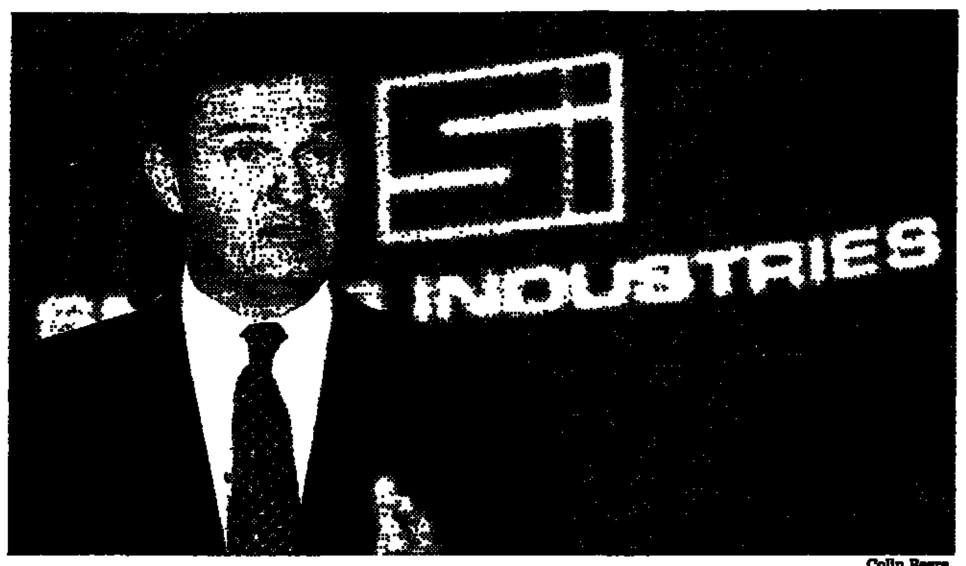
Indeed apart from medical equipment exports, Mr Hurn saw absolutely no upturn in the group's UK and US activities and said order books were lower than a year ago and still declining.

The group cut its UK workforce by 1,000 to 7,200 and shed 400 aerospace jobs in the US. The company took an extraordinary provision of £9.9m to cover four factory closures and restructuring, and said several hundred more jobs were likely to go in the current year.

Smiths spent £42m on acquisitions but enjoyed positive trading cash flow from all three parts of the group – aerospace, medical equipment and industrial.

The group's biggest purchase was the £33.3m it spent on acquiring Flexible Technologies in the US, a manufacturer of ducting for both industrial and commercial use.

Aerospace continued to feel the effects of reduced defence spending, but won military upgrading orders and large orders for the new Boeing 777 wide-body twin-jet airliner.



Colin Beere

Roger Hurn: sees no upturn in the group's UK and US activities

The medical systems group maintained profit margins and increased sales from £117.9m to £125.3m. It had a strong second-half, benefiting from the exchange of products and knowledge between companies on both sides of the Atlantic.

Mr Hurn said he was particularly pleased with the performance of the company's industrial group, which cut costs and won new orders in a very difficult environment.

Smiths' profits figure was depressed by a decision to hold back sales of surplus property until the market improves. Property contributed only £800,000 to trading profit, compared with £5.2m last year.

Earnings per share rose by 0.1p to 27.6p. A final payment of 6.8p makes a total for the year of 10.7p, compared with 9.9p, a rise of 8 per cent.

Net cash balances at the year-end were £79m, down from £115m last year.

● COMMENT

These are very impressive results. To improve margins right across the group in the current environment is no mean feat, and compares starkly with the travails of others in the aerospace sector. Unfortunately, things will be a lot tougher from now on, with lucrative contracts such as Tornado having finished and the Boeing 777 orders requiring a high level of company-funded spending on R&D. However, medical equipment is proving a lucrative niche and the Flexible Technologies acquisition should bring benefits to the industrial division. Having heard Mr Hurn's downbeat tone, analysts lowered their full-year profits forecasts to about £107m, which would give earnings of just under 25p. That puts the shares, which closed 1p lower at 265p, on a prospective multiple of just under 10.7. Such a discount to the market might attract long-term investors who like the quality of management and are likely to be rewarded by generous dividend increases.

Macarthy accuses Grampian of distortion

By Roland Rudd

MACARTHY, the retailer and drugs manufacturer fighting a hostile £79m bid from Grampian Holdings, yesterday accused the Scottish mini-conglomerate of dubious accounting treatments and distorted earnings.

In its final defence document sent out to shareholders, Macarthy claims that Grampian's performance has been distorted by a string of last-minute property deals and escalating deferred costs on the balance sheet.

Mr Ian Parsons, Macarthy's chief executive, said he was not fighting for the group's independence at any cost.

He said he recognised the logic of a merger with either Lloyds Chemists or UniChem, the drugs wholesaler. "But a merger with Grampian, which is running out of steam, would be folly", he warned.

Mr Bill Hughes, Grampian's chairman, accused Macarthy of distorting his company's figures in a "desperate attempt to create a smokescreen".

However, Mr Hughes has dropped his earlier threat to sue Macarthy for libel. He said such action could be seen as overreacting. Macarthy's document alleges:

● Material profits from Grampian's asset sales (other than the transport division's motor vehicles) amounted to some £3.1m in the last two years, most of which relate to property transactions including sale and leaseback.

Grampian said its property sale and leaseback transactions are a widely-practiced and efficient form of funding designed to maximise returns.

● Grampian's 1990 accounts include a transfer from intangible fixed assets of £483,000, which Macarthy says was used to distract attention from the need for a write-down of intangible fixed assets. Mr Hughes denied the allegation.

● Grampian's net debt soared from £5.7m in December 1988 to £32m in May 1991, representing 75.8 per cent of shareholders' funds. Mr Hughes said debt always rose in spring because of its sporting goods businesses, but was falling *rapidly*.

JIB shares priced at 195p as group makes move into Europe

By Tim Dickson

JIB Group, the London-based insurance broker, yesterday fixed the price for its forthcoming stock market flotation and announced an important strategic move into Europe.

The company, a subsidiary of Jardine Matheson, the Bermuda-based trading group, is the eight largest broker in the world. A total of 33m shares are being made available at 195p each via a placing with institutions and an offer to the public.

The price, which gives a market capitalisation of £318m at the outset, is below initial market expectations but is thought to have been carefully pitched to encourage strong investor demand.

The shares originally represented 32.3 per cent of the group's capital. Following the issue of almost 7.3m new shares, or 6.7 per cent of the enlarged equity, to pay for a minority interest in Société Intercontinentale d'Assurances pour le Commerce et L'Industrie (SIACI) the new public stake is equivalent to 30.2 per cent of the enlarged issued share capital.

The acquisition of a 27 per cent interest in SIACI, a French retail and wholesale broker, is an important step. JIB, is heavily dependent on English speaking markets, with about 50 per cent of turnover generated in the US and a further 39 per cent from the UK and the Irish Republic.

Operations in continental Europe are currently limited to relatively small offices in Portugal and Ireland; besides France, SIACI has operations in other countries including Spain and Switzerland.

SIACI provides insurance broking services in respect of general property and liability cover, as well as services to specific sectors such as marine, aviation and construction. In 1990 it made pre-tax profits of FFr55.2m (£5.6m); it had net tangible assets of FFr103.7m.

As a result of the acquisition JIB is forecasting that profits before tax for 1991 will be not less than £19.7m (£15.1m). Earnings per share are expected to be not less than 13.5p, giving a p/e on the offer price of 14.4. The expected final dividend is 5p.

Minimum investment is £195, the basis of allocation will be announced on November 4, and dealings are expected to start on November 7.

Molynx calls for £5.5m to fund purchases

By Clare Pearson

Molynx Holdings, the security and environmental control group, is making a £5.5m cash call on shareholders mainly to fund two acquisitions which it said would enable it to sell fully-integrated building and environmental management systems.

The 3-for-5 issue of 7m shares is pitched at 88p per share, a 23 per cent discount to yesterday's closing price of 115p.

The group also forecast that 1991 pre-tax profits would be not less than £1.9m (£1.69m). A 2.7p final dividend, for a total payment 6.7 per cent higher at 4p, is recommended.

The companies being purchased are American Auto-Matrix (AAM), a manufacturer and distributor of digital and analogue building control products, and ISC Computerautomation of Germany, a licensee of AAM.

Consideration for AAM is £2.9m, including assumption of debt, and that for ISC, £1.5m. In addition to the new shares, Molynx is issuing 1.3m shares to the vendors.

The group said the balance of the proceeds would enable it to pursue expansion plans.

RMT shares suspended pending clarification

By Peggy Hollinger

AN announcement was expected last night on the status of RMT, the computer equipment distributor which requested the Stock Exchange to suspend trading in its shares pending clarification of its financial position.

The shares were suspended at 4¼p.

The company was unavailable for comment.

RMT, formerly known as Spectrum Group, was forced to call on shareholders last year for £1m in a rescue rights issue when its net asset value fell below half its called up share capital.

Pre-tax losses in 1990 came to £1.3m.

Ironically, RMT blamed incompatible and inefficient computer systems in its own divisions for much of the loss incurred in the first half of that year.

Since then, however, the group has returned to the black with pre-tax profits of £32,000 for the first half of 1991.

SeaCon bid for IoM Steam at standstill

By Clare Pearson

SEA CONTAINERS, the Bermuda-based cargo equipment, ferry and property company, yesterday backed away from the possibility of a near-term bid for the Isle of Man Steam Packet Company by committing itself not to make such a move for at least three months.

The latest twist in the long-running wrangle between the two companies brings to an end a technical offer period which commenced when Mr James Sherwood, its chairman, said in August that he was disposed to make a bid.

Yesterday it triggered a 10p drop to 182p in Steam Packet's shares.

In an announcement, the companies said Sea Containers had agreed, up till January 23 1992, not to make a further offer, and not to add to its 41 per cent shareholding in Steam Packet.

They said they were entering into discussions about a possible extension of trading links.

With the offer period out of the way, these talks could take place "in a normal commercial climate."

To prevent Sea Containers springing a surprise offer,the two companies are to make a joint announcement prior to the end of the three month so-called "standstill" period.

Mr Michael Stacey, Sea Containers' vice president, said: "We have lots of ideas about improving Steam Packet's performance. Our approach to how to do this is constantly evolving."

An adviser to Steam Packet said there was no set agenda for the talks, but he expected Sea Containers would want to talk about introducing SeaCat, its fast catamaran service to the Isle of Man.

Conversations were also likely to focus on Heysham, Sea Containers' Lancashire port which is Steam Packet's main destination.

LEGAL NOTICES

RULE 3.2 NOTICE OF APPOINTMENT OF JOINT ADMINISTRATIVE RECEIVERS
PERKINS HOLDINGS LIMITED
Registered number: 1718980
Trading Name: Perkins Holdings Limited
Trade Classification: 8300
Names and Addresses of Joint Administrative Receivers:
Nigel Ruddock, The Galleria, Station Road, Crawley, West Sussex RH10 1HY
Neil Hunter Cooper, 186 City Road, London EC1V 2NU
Date of Appointment: 17th October 1991.
By whom appointed: National Westminster Bank PLC
Date of Charge: 1st August 1985
Nature of Charge: Mortgage Debenture

RULE 3.2 NOTICE OF APPOINTMENT OF JOINT ADMINISTRATIVE RECEIVERS
SAGBOURNE LIMITED
Registered number: 1237297
Trading Name: Bayview Court, Hayling Island
Trade Classification: 8500
Names and Addresses of Joint Administrative Receivers:
Nigel Ruddock, The Galleria, Station Road, Crawley, West Sussex RH10 1HY
Neil Hunter Cooper, 186 City Road, London EC1V 2NU
Date of Appointment: 17th October 1991.
By whom appointed: National Westminster Bank PLC
Date of Charge: 18th December 1985
Nature of Charge: Mortgage Debenture

AFBD COMPENSATION FUND

The Council of the Association of Futures Brokers and Dealers Limited ("AFBD") hereby announces its intention to distribute the AFBD Compensation Fund to any investor who has suffered losses as a result of the insolvency of Eastern Capital Futures Limited, or any other AFBD member.

The AFBD invites claims from any investors who consider themselves entitled to participate in the AFBD Compensation Fund to be submitted to William Frederik Ratford and Christopher Timothy Esmond Hayward of KPMG Peat Marwick, PO Box 730, 20 Farringdon Street, London EC4A 4PP, being the agents appointed by the AFBD to administer the distribution of the Compensation Fund.

Known investor creditors of Eastern Capital Futures Limited (in Liquidation) have been individually circularised. All claims should be lodged with the agents at the above address by close of business on 20 November 1991. It is the agents' intention to distribution the Compensation Fund within 4 months from that date.

Any claims received after 20 November 1991 may not be eligible to participate in the distribution.

W F Ratford
Agent of the AFBD for the purpose of the distribution of the Compensation Fund.

ART GALLERIES

PUBLIC NOTICES

Overseas Leasing One FSC Ltd.,

a Bermuda corporation, is available to enter into leasing transactions, as lessor, with respect to U.S. manufactured property to be used outside the U.S. by Lufthansa Leasing GmbH & Co. Uniform KG or Deutsche Lufthansa AG. If interested, please contact the company at:

Overseas Leasing One FSC Ltd.
c/o CODAN Services, Ltd.
Clarendon House
Church Street,
Hamilton, Bermuda

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY- Indices of industrial production, manufacturing output (1985=100); engineering orders (£ billion); retail sales volume and retail sales value (1985=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s).

	Indl. prod.	Mfg. output	Eng. order*	Retail vol.	Retail value*	Unemployed	Vacs.
1990							
1st qtr.	109.6	119.3	34.3	120.8	132.7	1,612	188.6
2nd qtr.	111.9	120.5	36.8	121.3	140.5	1,612	193.5
3rd qtr.	109.5	118.6	36.2	120.3	141.9	1,653	166.6
4th qtr.	106.6	114.7	32.9	119.1	179.8	1,776	134.5
July	109.5	120.9	36.9	121.4	144.8	1,632	172.4
August	108.1	118.4	36.2	119.4	140.5	1,655	167.8
September	107.9	117.3	36.2	120.2	140.6	1,670	159.2
October	108.0	115.7	34.8	119.8	148.4	1,706	142.6
November	106.2	114.1	34.0	118.4	157.5	1,763	132.4
December	105.6	114.3	22.8	119.7	201.2	1,842	128.7
1991							
1st qtr.	106.4	113.4	31.8	120.1	140.8	1,967	144.7
2nd qtr.	105.3	112.6	31.5	119.1	147.7	2,236	112.5
January	105.3	114.2	33.2	118.6	138.4	1,882	143.8
February	107.0	112.8	32.7	118.5	138.9	1,980	148.9
March	107.0	113.1	31.8	122.8	144.1	2,081	143.5
April	104.4	112.5	32.1	118.6	148.3	2,174	125.1
May	104.8	112.4	31.8	118.2	148.3	2,241	116.6
June	107.4	112.8	31.5	120.8	148.4	2,300	102.8
July	107.1	113.4	31.9	120.8	152.6	2,368	103.9
August	106.5	112.2		119.3	147.9	2,425	106.6
September				119.3		2,481	106.4

OUTPUT- By market sector; consumer goods, investment goods, intermediate goods (materials and fuels), engineering output, metal manufacture, textiles, clothing and footwear (1985=100); *housing starts (000s, monthly average).*

	Cnsmer. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textiles etc.	Housg. starts*
1990							
1st qtr.	114.3	122.2	103.5	120.5	128.8	98.4	14.3
2nd qtr.	114.9	125.5	105.9	122.9	125.7	97.6	14.1
3rd qtr.	113.9	121.2	101.8	118.7	124.0	94.8	13.0
4th qtr.	112.2	115.6	101.1	115.2	115.6	91.8	11.4
July	114.2	124.7	102.3	122.9	127.8	95.0	13.8
August	114.1	120.8	101.1	119.8	118.0	95.0	13.3
September	113.6	117.8	102.0	117.0	128.0	94.0	12.6
October	114.0	116.0	102.6	116.0	114.8	93.0	13.2
November	111.5	114.9	101.3	114.9	118.0	91.8	11.9
December	111.3	115.7	99.3	116.8	115.0	91.0	9.1
1991							
1st qtr.	110.2	117.9	100.8	114.4	110.1	89.5	12.3
2nd qtr.	109.9	115.8	98.5	112.3	109.5	89.0	15.2
January	110.5	119.2	98.3	116.0	110.0	91.0	12.4
February	109.6	117.5	102.3	114.9	108.9	89.0	10.3
March	110.4	117.1	102.8	113.8	112.8	89.9	14.1
April	109.8	116.0	99.9	113.9	108.0	88.8	15.0
May	109.9	115.8	97.4	112.8	110.0	88.0	15.8
June	109.9	115.8	103.4	112.9	111.0	89.0	14.8
July	110.5	116.7	102.4	112.6	109.0	89.0	16.6
August	109.9	114.3	101.1	110.8	110.0	89.5	13.9

EXTERNAL TRADE- Indices of export and import volume (1985=100); visible balance (£m); current balance (£m); oil balance (£m); terms of trade (1985=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms of trade*	Reserves US$bn
1990							
1st qtr.	124.1	144.8	-6,673	-5,263	+366	98.2	38.75
2nd qtr.	126.9	146.1	-5,301	-4,674	+421	96.4	38.90
3rd qtr.	122.8	141.2	-4,035	-2,239	+432	100.1	38.07
4th qtr.	124.9	138.0	-3,176	-1,984	+287	100.2	38.50
July	118.8	144.4	-1,887	-1,266	-8	97.4	38.84
August	122.8	140.8	-1,361	-783	+172	100.7	39.30
September	127.6	138.3	-787	-188	+268	102.2	38.08
October	125.4	141.5	-1,266	-782	+71	100.8	38.57
November	126.1	139.3	-1,039	-615	+113	101.3	38.47
December	123.3	133.2	-891	-587	+113	98.5	38.46
1991							
1st qtr.	123.7	136.5	-3,016	-2,699	+289	98.6	40.83
2nd qtr.	127.7	137.5	-2,079	-732	+258	98.1	43.85
3rd qtr.	128.8	139.5	-2,102	-1,502	+365	98.1	44.64
January	119.6	139.4	-1,362	-1,213	-124	99.1	38.37
February	124.9	131.9	-781	-843	+163	98.2	41.79
March	128.5	138.2	-893	-744	+130	98.4	42.33
April	125.3	138.2	-831	-385	+46	98.3	43.58
May	124.6	136.3	-892	-446	+84	98.1	43.71
June	133.3	137.9	-347	+99	+129	97.8	44.26
July	127.9	138.5	-577	-377	+41	97.9	44.63
August	131.8	144.9	-798	-598	+60	98.1	44.69
September	128.8	136.0	-729	-529	+304	98.2	44.59

FINANCIAL-Money supply M0, M2 and M4 (annual percentage change);bank sterling lending to private sector; building societies' net inflow; consumer credit†; Clearing Bank base rate (end period).

	M0 %	M2 %	M4 %	Bank lending £m	BS inflow* £m	Cnsmer. credit† £m	Base rate %
1990							
1st qtr.	6.9	8.6	18.3	+22,086	1,115	+911	15.00
2nd qtr.	6.9	8.4	17.4	+17,380	2,285	+721	15.00
3rd qtr.	4.9	8.1	15.5	+14,432	1,942	+606	15.00
4th qtr.	3.3	7.5	13.6	+15,939	1,210	+712	14.00
July	5.5	8.7	16.4	+4,785	593	+169	15.00
August	4.8	7.9	15.5	+5,154	823	+196	15.00
September	4.6	7.6	14.7	+4,833	668	+331	15.00
October	3.8	7.5	14.2	+5,976	892	+342	14.00
November	2.2	7.5	14.3	+6,603	-886	+229	14.00
December	2.7	7.9	12.3	+3,311	829	+141	14.00
1991							
1st qtr.	2.9	10.4	10.6	+10,067	2,086	+341	12.50
2nd qtr.	1.7	11.5	9.1	+6,234	2,565	+321	11.50
January	2.4	10.9	11.2	+4,997	804	+94	14.00
February	2.5	10.8	10.8	+4,636	696	+94	13.00
March	2.5	10.8	9.8	+1,934	543	+159	12.50
April	1.6	11.2	9.9	+3,306	1,337	+335	12.00
May	1.6	12.1	8.6	+2,804	774	-38	11.50
June	2.5	12.9	7.9	+152	444	+22	11.50
July	2.8	11.9	7.7	+3,169	386	+107	11.00
August	1.6	11.1	7.2	+5,021	158	-28	11.00
September					285		10.50

INFLATION-Indices of earnings (1985=100); basic materials and fuels; wholesale prices of manufactured products (1985=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 18th 1931 =100); trade weighted value of sterling (1985=100)

	Earnings	Basic matls.*	Whsale. mnfg.*	RPI*	Foods*	Reuters cmdty.*	Sterling*
1990							
1st qtr.	116.0	105.7	123.1	120.4	118.9	1,898	88.1
2nd qtr.	118.6	103.5	125.7	125.8	118.6	1,884	92.5
3rd qtr.	120.7	102.4	126.8	128.1	119.7	1,803	94.2
4th qtr.	123.5	103.7	128.2	130.1	121.2	1,721	94.1
July	119.9	101.1	126.4	126.8	118.8	1,827	93.5
August	120.7	101.8	126.9	128.1	120.0	1,782	95.3
September	121.6	104.1	127.2	129.3	120.2	1,801	93.6
October	122.3	103.4	127.9	130.3	120.4	1,737	94.3
November	123.3	103.6	128.4	130.0	121.5	1,709	94.2
December	125.0	104.7	128.7	129.9	122.1	1,716	93.5
1991							
1st qtr.	126.5	103.9	130.5	130.8	123.9	1,699	93.8
2nd qtr.	128.1	103.4	133.2	133.6	126.1	1,737	91.4
January	126.7	104.4	129.2	130.2	122.9	1,693	94.1
February	126.4	102.3	130.7	130.9	124.4	1,690	94.3
March	127.5	102.4	131.6	131.4	124.4	1,716	92.9
April	127.5	103.6	132.9	133.1	125.9	1,737	92.3
May	128.3	103.5	133.4	133.5	126.6	1,721	91.7
June	128.4	103.2	133.4	134.1	126.9	1,734	90.2
July	128.1	102.5	133.8	133.8	126.3	1,721	90.3
August	130.6	101.7	134.1	134.1	126.4	1,682	90.7
September		100.9	134.3	134.6	126.4	1,695	91.5

*Not seasonally adjusted

†Net changes in amounts outstanding, excluding bank loans.

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UK COMPANY NEWS

Shareholders mollified by chairman's address

Richmond Oil seeks institutional support

By Peggy Hollinger

RICHMOND Oil & Gas, the US natural resources company quoted in London, will this week meet institutional shareholders to seek support for management and its efforts to turn the loss-making company around.

Mr David Wilkinson, joint managing director, said he was disappointed that no institutional investors had attended the company's annual meeting in London yesterday.

The meeting was sharply critical of the company's performance during the year to March 31 when it recorded a loss of £795,000 after provisions *of £655,000.*

One investor suggested that the company should be liquidated to provide some return to those who had seen the shares fall 82 per cent to last night's 19p since Richmond was floated in 1989.

Yet by the time the meeting broke up, almost two hours later, most shareholders appeared to have been mollified by the frankness of non-executive chairman Mr Robert Fox. "This company had a great opportunity, but we really did a miserable job," he confessed. Richmond was hit by higher than expected development costs on the Richmond Ranch, its main asset. Mr Fox said the group now planned to exploit the ranch's potential through joint ventures.

One shareholder abandoned plans to propose a vote of no confidence in the board. "Mr Fox did a lot to reassure people," said Mr Tom Sheridan, who represented a group of small investors.

Mr Fox was appointed chairman last year at the instigation of County NatWest which holds a 7.2 per cent stake in *the group following a disputed* share placing in October 1990.

Both he and Mr Terry Steele, another non-executive appointed in January this year, received enthusiastic support for re-election to the board. Shareholders were less ready to give their whole-hearted backing to passing the company's accounts.

The main concerns appeared to be the group's overheads and the share price. One shareholder questioned administration expenses of £3.5m to cover oil and gas revenue of £4.8m. "It seems like an awful lot," he said.

Mr Fox agreed the expenditure had been excessive. However, he said the group was taking measures to cut costs by £2m a year.

Shareholders cross-examined the directors' possible ventures with Soviet authorities in Siberia – which have cost Richmond $400,000 over two years. "Richmond has not been very successful with its assets in America. What makes it think it can make a success of Russia?" queried one disgruntled shareholder.

Mr Fox admitted that, had he been chairman when the talks were first mooted, Richmond would not have pursued the idea. However, he added, "now we have them and we are well ahead of many companies in this area".

The meeting ended with shareholders relieved to hear that the group was trading profitably in the current year. However, they left with the bitter knowledge that any significant recovery in the share price is some way off.

Formal rescue proposals for Chancery

By Clare Pearson

THE administrators at Chancery yesterday announced formal rescue proposals for the banking and financial services group which has been in administration since February.

Mr Colin Bird, the Price Waterhouse administrator, said that, if the plans were approved, he believed Chancery's would be one of the first sizeable cases where a company had been brought out of administration with a repaired balance sheet.

This was to be achieved through the conversion of *£40m of debt into equity*, a rescheduling of £90m of deposits over the next five years in a payment pattern designed to match the loan book and payment in full of some 700 smaller creditors.

There would also be two seats on the board for the creditors.

The circular being sent out includes a pro forma balance sheet which shows that the reconstruction would turn net liabilities of £21.9m into net assets of £18.8m.

Battle for the leading role at Aberfoyle

Joel Kibazo gives the background to today's extraordinary meeting

IF THE *shadow boxing of the past few weeks* is anything to go by, today's extraordinary meeting at Aberfoyle Holdings is likely to be an explosive affair as two rival groups finally meet to battle for control of the company.

The trophy, however, hardly sparkles. Aberfoyle, listed and headquartered in the UK, was constituted in its present form in 1984 from the Zimbabwean operations of the former Guthrie Corporation. Its interests include electrical engineering, fire extinguisher manufacturing, agriculture and textiles.

Its biggest project is the Z$86m (£9.9m) 12,000-hectare Mwenezi development project in the lowlands of Zimbabwe, begun in 1985 to produce palm oil. Progress on the project is, *however, stalled due to a lack* of funding.

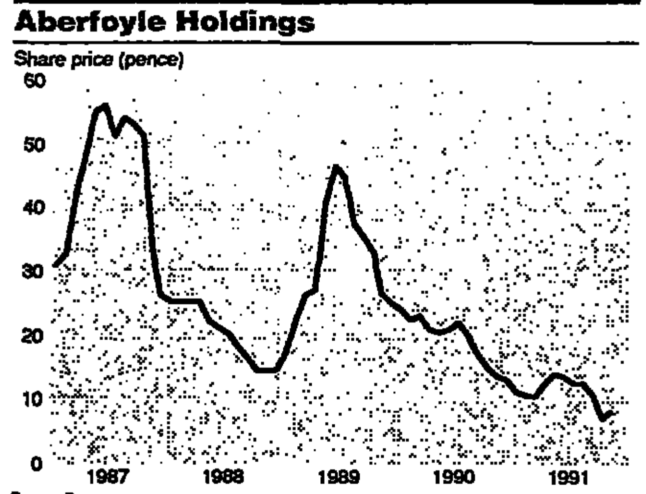
Earlier this month, the company released belated 1990 results. Not only were the figures qualified by KPMG Peat Marwick McLintock, the group's auditor, but they revealed a profits slump of 77 per cent from £5.3m to £1.2m, and once again the dividend was passed.

The company, which only weeks earlier had suspended re-financing talks, said it was now dependent on funds provided by Mr Ian Coates, the company chairman, repayable on demand in the event of a change in the management of the group. In addition, the company said it faced the prospect of being put into administration.

Aberfoyle is now capitalised at about £3.66m, the shares having fallen from a peak of 62p in 1987 to 8p today.

Today's meeting was forced on the company by a group of disillusioned shareholders who want a majority of the current board removed. The dissident group claims to represent about 40 per cent of shareholders and includes Crescent Africa, a private company with a 26 per cent stake. Its chairman, Mr Kojo Owusu-Nyantekyi, first called for the board's removal two-and-a-half years ago.

Aberfoyle Holdings



Source: Datastream

The main charges made against the present board include failure to develop the Mwenezi project, non-payment of dividends since the creation of the group, failure to develop a cordial relationship with the Zimbabwe government – necessary for the smooth running of the company – and threatening unnecessarily to put the company into administration.

The group proposes that Mr Coates be replaced by Sir Peter Gadsden, chairman of Private Patients Plan, and Mr Brian Gill, managing director, be replaced by Mr Barry Trowbridge, who previously ran a waste management business. Mr Owusu-Nyantekyi would also join the board but the group wants Mr Paul Wilks, finance director, to remain.

Mr Owusu-Nyantekyi is bitter and said: "This board has run the company into the ground. They have mishandled my investment, the company is now worth less than I paid for my stake. The board must go. They still operate in a colonial manner and have no idea of how to operate in Zimbabwe. We do, and we have the funds to take this company forward."

He backs his claim with a recent letter from Mr Joshua Nkomo, vice-president of Zimbabwe. It said: "Your good commercial and political contacts in Zimbabwe will, we believe, provide Aberfoyle with a far better chance of resolving its current problems in Zimbabwe than the current management, with whom we believe no further progress is likely." A senior Zimbabwe cabinet minister has also spoken of "frustration" with Aberfoyle.

But Mr Coates dismissed the letter from Mr Nkomo, saying: "I am satisfied it doesn't reflect the position of the Zimbabwe government", though he acknowledged that attempts to persuade the Zimbabwe government to invest in the Mwenezi project have come to nothing.

He pointed out that the current exchange control regulations prevent the company *from remitting to the UK more* than 25 per cent of the post-tax earnings, and thus Aberfoyle was unable to pay a dividend to its UK shareholders.

He believes the aggrieved shareholders are a front for Mr Owusu-Nyantekyi to take over the company without launching a bid, and he warned: "I have had him checked out, and he's not a man I would wish to *sit on the board with. If he* takes over I think the company will be bust within six months."

While admitting that Aberfoyle was now dependent on funds provided by himself, he now claims that a statement made by the company itself earlier this month that it faced going into administration, was not true.

Asked if it was an act of brinkmanship suggested by Baring Group, his advisers, he simply smiled.

Mr Coates said he now had a plan for the future of Aberfoyle, which includes listing the Zimbabwe subsidiary on the local stock exchange, and a rights issue to repay £2m of loan stock and make investments in South Africa.

Recent meetings between the two sides, intended to avoid today's showdown, have not only failed to restore good relations but have brought even more vitriolic counter-accusations.

With the two sides evenly balanced, today's knock-out punch is likely to be delivered by the votes of CIN, which holds about 9 per cent, and AGF Asset Management, with a stake of just over 3 per cent.

Such is Mr Owusu-Nyantekyi's confidence that he is attending today's meeting "simply to say goodbye to the old board".

Mr Coates, however, admitted: "I think it will go to the last fence" and, in the event of failure, he said: "I will simply go back to my cows for some intelligent conversation."

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 24.10.91: Pool purchase price £/MWh	Final Prices for Trading on 28.09.91: Pool purchase price £/MWh	Pool selling price £/MWh
0030	15.82	15.86	15.86
0100	15.84	15.85	15.85
0130	15.86	15.85	15.85
0200	15.82	15.86	15.86
0230	15.92	15.86	15.86
0300	15.92	15.85	15.85
0330	15.82	15.85	15.85
0400	15.90	15.82	15.82
0430	15.88	15.82	15.82
0500	15.86	15.85	15.85
0530	15.88	15.84	15.84
0600	15.88	15.85	15.85
0630	15.98	15.96	15.96
0700	16.24	16.28	16.28
0730	19.45	20.73	23.50
0800	28.20	38.34	43.88
0830	32.02	42.44	52.29
0900	33.60	53.71	66.23
0930	32.13	53.72	66.36
1000	30.54	52.53	64.74
1030	29.06	50.47	62.11
1100	23.25	48.18	59.01
1130	22.80	51.26	63.14
1200	22.03	54.26	67.13
1230	21.77	50.82	62.32
1300	20.43	43.09	52.14
1330	19.36	32.89	38.46
1400	18.35	30.24	30.24
1430	18.39	28.62	28.62
1500	18.37	28.57	28.57
1530	18.35	28.32	32.08
1600	18.40	31.97	37.20
1630	18.62	38.18	45.62
1700	19.93	42.50	51.20
1730	21.01	39.08	46.46
1800	28.80	32.33	37.50
1830	34.98	28.14	28.14
1900	35.25	30.89	35.67
1930	30.67	32.20	38.33
2000	22.56	37.77	44.92
2030	19.81	33.37	38.98
2100	19.46	28.66	32.54
2130	18.13	20.24	22.40
2200	18.12	18.95	20.60
2230	17.80	18.58	20.08
2300	18.08	17.77	19.24
2330	15.92	16.25	16.25
2400	15.84	15.86	15.96

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

COMMODITIES AND AGRICULTURE

Impala buys platinum to cover production losses

By Philip Gawith in Johannesburg

IMPALA PLATINUM, the South African platinum producer troubled by labour unrest, has acknowledged that it has been buying metal to cover potentially shortages arising from production shortfalls.

Mr Michael McMahon, managing director, confirmed yesterday that when the industrial unrest, which started in July, had looked as if it would affect production, Impala had bought forward on the Nymex futures market for delivery in October. The company has now started to take delivery of the metal. He would not detail how much the company had bought.

Mr McMahon said there had not been any shortfall yet, but it stood to reason that shortfalls would result given several days production had been lost on some of the mines and the company had secured contracts for its full production.

He reiterated that the issue at the heart of the unrest was the fact that the Bophuthatswana government refused to recognise the South Africa-based National Union of Mineworkers (NUM), although he estimates 60 per cent of his workers are signed up members of the NUM. Impala's mines are situated in the Bophuthatswana homeland. He noted that although the world might consider Bophuthatswana to be only nominally independent, the local reality was that it operated as a separate country with a different labour law from South Africa.

The company is faced with the very difficult position of trying to solve what is clearly a political problem. The workers want to be represented by the NUM, but Impala cannot grant recognition to a union that is not legally entitled to operate in the country without being in breach of the law. Mr Mahon says the company is "talking very hard with everybody who is part of this problem to try to find solutions." In terms of progress, he says they are "inching forward".

Wildebeestfontein North mine will stay closed, he says, until an understanding is reached with workers about what constitutes "normal working practices". The mine, which produces about a quarter of Impala's annual output of 1.1m ounces, was closed last week after underground industrial action in which some miners allegedly prevented others from going to the surface at the end of a shift.

There are unconfirmed reports that Impala's labour troubles may have spread to Lonhro's Eastern Platinum operation. There is close co-operation between the two companies following the 1989 deal in which Lonhro's Western Platinum took over Impala's Karee mine and Middelkraal reserves, with Impala maintaining a 25 per cent stake in the enlarged operation.

Soviet Union gets aluminium 'aid'

By Kenneth Gooding, Mining Correspondent

THE ALUMINIUM industry faced the prospect of turning off energy-efficient, environmentally acceptable smelting capacity in the west to allow dirty, energy-inefficient smelters in the former Soviet Union to continue operating at a high level, said Mr Douglas Ritchie, president of the UK Aluminium Federation, yesterday.

He pointed out that aluminium was to the forefront of Soviet efforts to earn hard currency "because it is one of the few things they can make competently".

Estimates of Soviet sales to the west this year ranged from 600,000 to 1m tonnes while western demand had stabilised at about 15m tonnes.

"There are forecasts that Soviet exports could increase by as much as one third in 1992, depending on social stability and domestic demand in the Soviet Union over the short term," Mr Ritchie said at the federation's annual dinner.

"While governments deliberate, the western aluminium industry is providing its own unique form of aid towards the new Soviet economy," he added.

Mr Ritchie is also chairman of British Alcan Aluminium, which recently announced it was cutting by half output at its Lynemouth, Northumberland, primary aluminium smelter and earlier reduced by half output at its smelter at Lochaber in Scotland.

The Soviet flood of metal had helped depress prices. He pointed out that the average London Metal Exchange three-month price for aluminium had fallen from an average of $2,400 a tonne in 1988 to $1,400 so far this year, a price slide that represented an annual loss of nearly $15bn for the industry in 1991 over 1989 on primary ingot alone.

"The companies in our industry have undoubtedly been weakened. They will have to work even harder to compete when the economy eventually turns around," he added.

Banks to take equity in Quintette coal

By Bernard Simon in Toronto

A GROUP of 54 international banks will become one-third owners of the troubled Quintette coal mine in British Columbia under the terms of a restructuring plan presented to a court in Vancouver.

In return for their equity stake, the banks have agreed that Quintette will not be regarded as in default unless it fails to service at least C$200m (£103m) of its C$630m debt, while making a minimum principal payment of C$10m a year. All cash flow during the remaining seven years of its contracts with a consortium of Japanese steel mills would be used to service the project loans.

Quintette is the largest single metallurgical coal exporter in North America. It was built in the early 1980s to diversify Japanese steel mills' sources of supply but its high operating costs combined with sagging coal prices have caused financial difficulties and tensions between the various partners almost since the project began.

The plan will be presented to shareholders, project lenders and other creditors at special meetings on November 14. But it ran into immediate controversy with objections by Charbonnages de France, the French coal company, which has a 12 per cent stake in Quintette.

Charbonnages objects that the plan is less a restructuring than an arrangement for the gradual liquidation of Quintette over the remaining period of its coal contract. The French company contends that most of the benefits in the meantime will accrue to the banks and to Teck Corporation of Vancouver, which took over as manager earlier this year. Under the restructuring, Teck would have a shareholding of between 26 per cent and 33 per cent in Quintette.

However, Charbonnages does not appear to have sufficient votes to block the restructuring proposal.

The bank lending consortium is led by Bank of Montreal, Canadian Imperial Bank of Commerce, Chemical Bank, Fuji Bank and Bank of Tokyo.

France's viniculture comes under pressure

Howard Schissel looks at a wine glut submerged under a market squeeze

A RIVER of Beaujolais nouveau is waiting to cascade on to world markets in mid-November in what has become one of the most spectacular triumphs of French winemakers.

Nevertheless, despite the hordes of consumers waiting around the world to quaff the new wine harvest, the French wine and spirits industry - after a decade of rapid growth and unparalleled prosperity – is not in a particularly optimistic mood.

A hangover in the 1990s is predicted by analysts as a result of of an extremely competitive international climate and price-conscious consumers.

France's seldom questioned predominance in the production and export of fine wines is under increasing challenge.

"Countries which have been producing wines for centuries, such as Spain and Italy, are making great efforts to improve their image, and newcomers like Australia, the US, Chile, South Africa and others have joined in the competition for world markets," says Mr Claude Taittinger, president of the French Federation of Wine and Spirits Producers.

"The 1980s was a golden age", remarks Mr Constantine Stergides, a wine consultant. "Not only did markets boom and prices firm, but France experienced a gift of Mother Nature with a wealth of abundant and high-quality vintages," he says.

Not only were consumers satisfied but cellars overflowed with unsold wine surpluses. Last April's freezing temperatures, which diminished this year's harvest by a something in the range of 10-15 per cent, is not expected to reduce stocks significantly or stem or depress prices.

After a drastic decline in production of 10 per cent in the 1960s to 64.5m hectolitres French wine and spirits exports more than doubled during the 1980s, earning a record FFr34bn (£3.43bn). As a foreign exchange earner they are second only to otheer agricultural produce.

With 43 per cent of overseas' sales, champagne and cognac were the fastest growing sectors last year. Their success was largely the result of projection of strong brand images and large investments by dynamic multinationals in state-of-the-art production facilities, advertising and global distribution networks.

At the same time, the fragmented structure of the French wine industry does not provide the same impetus for wines below the magic names of Bordeaux's *grands crus*, the most renowned Burgundies and a handful of other prestigeous appellations like Chateauneuf-de-Papes. The bulk of output is facing cutthroat competition abroad.

The buoyant environment of the 1980s has already started to subside. In the first half of 1991 - for the first time in fifteen years - exports slipped by 2.7 per cent to FF12.5bn. The figures could be a harbinger of rougher times ahead.

Despite the traditional leadership of its viniculture France seems likely to suffer more than other producers from market changes. "The most remarkable mutation underlying consumer trends is the continued decline in total consumption and a move upmarket to higher quality products", says Mr Louis-Regis Affre, managing-director of the French Wine and Spirits Exporters Federation.

Traditional wine drinking countries are becoming more sober, not the least France. The French, for example, drank almost 30 per cent less wine per capita (albeit, a still respectable 73 litres) in 1989 than 10 years earlier.Export markets are not taking up the slack.

The French wine and spirits industry has also undergone a fundamental change in adapting to the trend towards drinking less but better. During the 1980s, the top quality *appellation d'origine controlée (AOC)* wines rose from 23 per cent of the crop to just under 40 per cent, with lowly table wines plummeting from 57 per cent to just 26 per cent.

Everywhere in France new investments are being made – from planting better grape varieties to modernising winemaking equipment and techniques – in the quest to improve quality.

However, a more radical and painful transformation may be required to maintain anything like world predominance. With world demand strongest for white wines, two-thirds of France's output is still red, much of it dullish plonk from inefficient and highly-subsidised smallholders and co-operatives in the south of the country.

With a slack world market and increasing competition, French producers are faced a glut of wine –even of their finer varieties – and increasign price sensitivity.

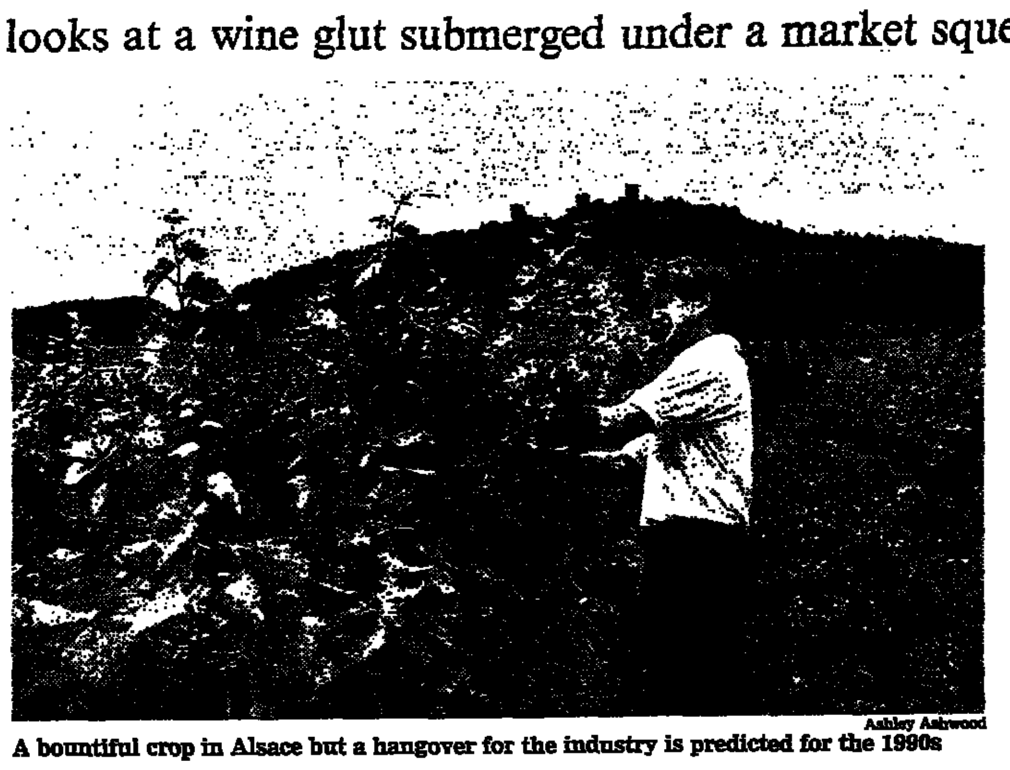
In the US, where the quality of Californian vintages has become outstanding, consumers have rebelled against escalating prices for top Bordeaux, Burgundy and Champagne labels and switched to other cheaper products.

The bubble may have even burst for champagne., Exports sank by 15 per cent during the first half of the year. Consumers are popping fewer corks after the price of leading brands was raised by as much as 15 per cent. Despite its reputation as the fortemost luxury drink, champagne is, faced with the challenge of Spanish *cavas* as well as sparkling wines of the US and Australia.

No less than 92 per cent of Cognacis exported. On balance the decline in traditional sales outlets in Europe and North America has been compensated by increased demand from the rapidly expanding Asian markets.they now account for a third of overseas consumption.

"Cognac must stay ahead of its main competitor, namely the whisky industry, and continue to add value through branding", says Mr Peter Sosnkowski, managing director of Remy & Associates, the marketing arm of the Remy Cointreau drinks group.

He views Asia as the new promised land for top quality brands in the 1990s. "Not only is consumption in Asia rising at a quick pace but consumers in the region are highly-solicited because they prefer premium wines and spirits, the most profitable end of the market," he reflects. But clearly France cannot take its viniculture predominance for granted any more.



Ashley Ashwood

A bountiful crop in Alsace but a hangover for the industry is predicted for the 1990s

Deadlock over renewal of rubber pact

By Lim Siong Hoon in Kuala Lumpur

RUBBER PRODUCERS and consumers remained deadlocked yesterday over whether to begin immediate negotiations for a new pact, two years before the expiry of the second International Natural Rubber Agreement.

Producers, led by Malaysia, had pressed for an early start to the negotiation process, the issue that dominated a three-day meeting of the International Natural Rubber Organisation , which ended yesterday.

Consumer delegates, particularly the US, resisted the demand. Some said that they had no formal authority from their governments to begin the negotiations.

The call for early negotiations was indicative of the scope of the changes that producers want in rewriting the agreement, as well as reflecting their opposition to allowing any extension of the existing accord.

Producers argued that the present agreement was flawed and only succeeded in stabilising prices at low levels. But consumers said they were satisfied with the operation of the pact.

"We are all in a bit of a fix," said one delegate. "No negotiations are going to start today", he added.

Early indications from Malaysia showed that producers wanted a narrower price support band than the present range of between 270 and 150 Malaysian/Singapore cents a kilogram.

The discord within Inro underlines the weakness in the market where, for nearly two years, prices have fluctuated around the agreement's lower intervention or "may buy" level of 176 Malaysian/Singapore cents a kilogram. So far this week, Inro's indicator prices, which are drawn from four international markets, have moved between 176 and 177 cents.

Producers are also unhappy over the organisation's buffer stock system and view the low level of support as inadequate, although it has a mandate to stock up to 550,000 tonnes.

The buffer stock manager last entered the market three weeks before the council meeting, but 17 months after his previous purchases.

Any revision of Inro's price support band would have been due at the council meeting, but this was never raised. Adjustments, if any, are based on prices during the preceding six months; the last revision, which saw a 5 per cent reduction, was made in July 1990.

Delegates saw little prospect of the market being lifted out of the doldrums in the next few months. Consumption has risen little, while the reduced production in Malaysia has been offset by increases in Thailand and Indonesia.

Bigger coffee crop forecast in Colombia

COLOMBIA'S coffee production in the 1991-92 (October-September) coffee year is estimated to be about 15.6m bags of 60 kg each, according to Mr Jorge Cardenas, manager of the National Coffee Growers Federation, reports Reuter from Bogota.

Mr Cardenas gave the figure yesterday in testimony to Colombia's Congress on the coffee outlook. He said production in 1990-91 was 14.39m bags. He estimated that in 1991-92, Colombia would export 12.8m bags of coffee, up from 12.2m bags in 1990-91, with 1.4m bags being used in domestic consumption and 1.4m bags being added to stocks.

WORLD COMMODITIES PRICES

MARKET REPORT

COPPER prices continued Tuesday's rally at the London Metal Exchange yesterday. Dealers attribute the rise, which took the cash position up £14 to £1,389.50 a tonne, to technical tightness and concern over fresh rioting in Zaire, although there was as yet no suggestion of copper production being disrupted. Other fundamental factors supporting the market were the threatened strike at Poland's four copper mines from November 4 and hesitancy ahead of today's resumption of labour talks at Canada's Highland Valley, the dealers said. In contrast aluminium prices fell back after Tuesday's rise following overnight denials of impending production cuts by Alcoa and Amax, big North American producers. *Rumours* of possible cuts had driven the market higher in late trading on Tuesday but yesterday the cash position closed $13 down at $1,186.50 a tonne and the three months price lost a similar amount at $1,215.50 a tonne. At the London bullion market the gold price surrendered more of Monday's sharp rise, adding $1.05 to Tuesday's $1.40 fall, closing at $361.95 a troy ounce. "We've not broken out of the range. Just moved to the bottom end of it," one dealer commented.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$18.60-8.65z	-.375
Brent Blend (dated)	$22.30-2.40	-.35
Brent Blend (Dec)	$22.00-2.10	-.35
W.T.I. (1 pm est)	$23.30-3.40z	-.25
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$240-242	+2
Gas Oil	$220-222	-3
Heavy Fuel Oil	$85-86	-.5
Naphtha	$215-219	-3
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$361.95	-1.05
Silver (per troy oz)♣	410.5c	-6.0
Platinum (per troy oz)	$365.25	-1.25
Palladium (per troy oz)	$86.00	+0.75
Copper (US Producer)	110.05c	-0.20
Lead (US Producer)	37.8c	
Tin (Kuala Lumpur market)	14.93r	
Tin (New York)	257.5c	-0.5
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	104.08p	+0.90*
Sheep (dead weight)†	112.16p	+5.37*
Pigs (live weight)†	74.62p	+0.86*
London daily sugar (raw)	$239.4j	+4.6
London daily sugar (white)	$290.0j	+2.0
Tate and Lyle export price	£249.0	+3.0
Barley (English feed)	£117.0	
Maize (US No. 3 yellow)	£140.0	
Wheat (US Dark Northern)	£101.0	
Rubber (Nov)♥	54.50p	
Rubber (Dec)♥	54.00p	
Rubber (KL RSS No 1 Nov)	228.0m	
Coconut oil (Philippines)§	$557.5y	
Palm Oil (Malaysian)§	$347.5u	
Copra (Philippines)§	$365.0/	+10.0
Soyabeans (US)	£153.5	+2.5
Cotton "A" Index	67.45c	
Wooltops (64s Super)	367p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Nov/Jan t-Sep/Dec u-Nov/Dec x-Sep/Oct y-Dec/Jan z-Dec j-Oct/Nov. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX			($ per tonne)
Raw	Close	Previous	High/Low
Dec	189.20	200.00	189.20 187.00
Mar	194.20	196.00	198.00 192.80
May	194.20	195.60	194.20 193.60
Aug	199.20		199.20 197.60
Oct	199.20	199.00	199.20 196.60
White	Close	Previous	High/Low
Dec	284.9	288.0	288.5 284.9
Mar	281.5	285.0	286.0 281.5
May	281.4	284.7	283.3 281.4
Aug	281.9	285.5	283.8 281.9

Turnover: Raw 203 (254) lots of 50 tonnes. White 651 (1326)
Paris- White (FFr per tonne): Dec 1675.08, Mar 1667.15 (latest).

CRUDE OIL – IPE			$/barrel
	Latest	Previous	High/Low
Dec	22.07	22.42	22.55 22.02
Jan	21.89	22.12	22.23 21.80
Feb	21.61	21.87	21.90 21.55
Mar	21.40	21.45	21.65 21.36
Apr	21.20	21.12	21.20 21.10
May	20.90	20.92	20.94 20.85
Jun	20.65		20.65 20.60
IPE Index	22.43	22.58	

Turnover 22000 (21435)

GAS OIL – IPE			$/tonne
	Close	Previous	High/Low
Nov	218.75	221.50	223.25 218.25
Dec	219.00	222.75	224.25 219.00
Jan	218.00	219.50	220.50 216.00
Feb	208.00	211.00	212.00 208.00
Mar	200.50	202.00	202.25 199.00
Apr	191.50	194.00	193.00 191.50

Turnover 22990 (12789) lots of 100 tonnes

WOOL

Prices in Australia and South Africa have soared at sales this week. There were signs of small improvements last week, and a fair amount of covering business did come out as buyers sensed that the market might be due for a rise; although nothing on the scale of daily rises in Australia this week was thought possible, by traders or experts. The market indicator in Australia reached 535 cents yesterday, which compares with 441 cents a week before. With 4½ million bales still in the Australian stockpile the situation is very disturbing, and there is anxiety now about the damage such price volatility may do to wool's long-term future.

COCOA – London FOX			£/tonne
	Close	Previous	High/Low
Dec	753	744	753 738
Mar	793	784	793 776
May	815	806	816 798
Jul	837	829	835 823
Sep	857	851	857 842
Dec	881	876	881 867
Mar	906	903	910 891
May	924	920	924 915
Jul	941	938	942 941
Sep	958		960 950

Turnover: 5574 (3546) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Oct. 22 931.34 (929.91) 10 day average for Oct. 23 957.27 (962.67)

COFFEE – London FOX			£/tonne
	Close	Previous	High/Low
Nov	540	540	542 533
Jan	558	563	565 554
Mar	567	576	577 564

Turnover: 7303 (3584) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Oct. 22: Comp. daily 64.71 (64.63) 15 day average 62.50 (62.28)

POTATOES – London FOX			£/tonne
	Close	Previous	High/Low
Apr	130.1	130.5	131.0 129.0

Turnover 183 (212) lots of 20 tonnes.

SOYAMEAL – London FOX			£/tonne
	Close	Previous	High/Low
Dec	133.50	132.00	133.50

Turnover 5 (100) lots of 20 tonnes.

FREIGHT – London FOX			$10/index point
	Close	Previous	High/Low
Oct	1658	1661	1670 1665
Nov	1692	1686	1700 1690
Dec	1693	1676	1700 1690
Jan	1712	1710	1720 1711
Apr	1717	1704	1720 1717
Oct	1580	1580	1570
BFI	1644	1643	

Turnover 227 (661)

GRAINS – London FOX			£/tonne
Wheat	Close	Previous	High/Low
Nov	118.60	118.30	118.60 118.25
Jan	122.20	122.00	122.25 122.00
Mar	125.25	124.85	125.15 125.00
May	128.05	127.65	128.10
Barley	Close	Previous	High/Low
Nov	113.70	114.05	114.00 113.70
Jan	117.50	117.75	117.75 117.65
Mar	120.25	120.50	120.15

Turnover: Wheat 225 (541), Barley 144 (27).
Turnover lots of 100 tonnes.

PIGS – London FOX			(Cash Settlement) p/kg
	Close	Previous	High/Low
Oct	97.0		97.0 96.0
Nov	99.0	98.5	99.0 98.6

Turnover:12 (6) lots of 3,250 kg

MGMI – London FOX				
	Close	Prev.	High	Low	Vol
Indx	135.11	135.03			
Nov		136.00			

LONDON METAL EXCHANGE				(Prices supplied by Amalgamated Metal Trading)		
	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 39,583 lots	
Cash	1186-7	1199-200	1185/1184	1185-5.5		
3 months	1215-6	1228-8	1226/1205	1214.5-5	1215-6	124,384 lots
Copper, Grade A (£ per tonne)					Total daily turnover 28,215 lots	
Cash	1389-90	1375-6		1386-6.5		
3 months	1368-9	1360-1	1371/1363.5	1367-8	1370-1	106,872 lots
Lead (£ per tonne)					Total daily turnover 1,366 lots	
Cash	299.5-300.5	301.5-2.5	300/299.5	298-8.5		
3 months	312-2.5	314-4.5	313/311.5	311-1.5	312-2.5	11,991 lots
Nickel ($ per tonne)					Total daily turnover 4,202 lots	
Cash	7400-10	7385-95	7375/7370	7360-70		
3 months	7420-5	7430-5	7500/7400	7400-10	7440-50	16,757 lots
Tin ($ per tonne)					Total daily turnover 1,102 lots	
Cash	5560-5	5570-80		5555-65		
3 months	5625-30	5635-40	5635/5610	5620-5	5610-20	5,463 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 3,771 lots	
Cash	986-8	985-7		986-6.5		
3 months	1006-7	1004-6	1011/1004	1005-5.5	1011-2	27,175 lots

LME Closing £/$ rate: SPOT: 1.70680 3 months: 1.6855 6 months: 1.6685 9 months: 1.6521

LONDON BULLION MARKET (Prices supplied by N.M.Rothschild)		
Gold (fine oz)	$ price	£ equivalent
Close	362.65-362.25	
Opening	363.00-363.40	
Morning fix	362.90	212.633
Afternoon fix	362.20	212.285
Day's high	363.20-363.60	
Day's low	361.60-361.90	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	4.84	6 months	4.64
2 months	4.79	12 months	4.59
3 months	4.73		

Silver fix	p/fine oz	US cts equiv
Spot	242.90	414.50
3 months	249.20	420.00
6 months	255.20	425.45
12 months	267.40	437.30

GOLD COINS (Prices supplied by Engelhard Metals)		
	$ price	£ equivalent
Krugerrand	362.25-363.25	212.25-212.75
Maple leaf	373.25-374.25	218.75-219.25
New Sovereign	88.25-89.25	51.75-52.75

TRADED OPTIONS				
Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Dec	Mar	Dec	Mar
1100	109	143	5	14
1200	39	76	34	44
1300	8	34	102	99
Copper (Grade A)	Calls		Puts	
2200	135	127	9	45
2300	63	74	36	89
2400	21	38	94	151
Coffee	Jan	Mar	Jan	Mar
500	63	74	5	7
550	28	39	20	22
600	10	19	52	52
Cocoa	Dec	Mar	Dec	Mar
725	41	91	13	23
750	27	75	24	32
775	17	61	39	43
Brent Crude	Dec	Jan	Dec	Jan
2200	56	82	34	68
2250	30	43	52	51
2300	11	27		

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Oct	362.3	363.9	362.5	362.5
Nov	362.7	364.4	0	0
Dec	364.3	366.0	365.0	363.8
Feb	367.1	368.9	367.9	368.8
Apr	369.8	371.7	370.7	370.0
Jun	372.6	374.5	373.0	372.3
Aug	375.5	377.4	0	0
Oct	378.3	380.3	0	0
Dec	381.4	383.4	381.7	381.7

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Oct	364.3	369.4	368.0	367.5
Jan	367.4	371.4	370.5	366.3
Apr	370.9	374.9	373.5	371.5
Jul	374.6	378.5	0	0
Oct	381.3	385.3	0	0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Oct	408.9	413.6	0	0
Nov	408.7	414.4	0	0
Dec	411.5	416.2	415.0	410.0
Jan	413.5	418.2	0	0
Mar	418.0	422.7	421.0	417.0
May	422.4	427.1	426.0	421.5
Jul	426.5	431.2	429.0	426.0
Sep	431.0	435.7	0	0
Dec	437.8	442.6	440.0	438.0
Jan	440.5	445.3	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Oct	106.60	106.20	106.90	106.60
Nov	106.05	105.65	106.20	105.85
Dec	105.35	104.90	105.50	105.10
Jan	104.25	103.90	104.20	104.10
Feb	103.55	103.30	0	0
Mar	103.00	102.70	103.20	102.85
Apr	102.45	102.20	0	0
May	101.95	101.70	102.30	102.10
Jun	101.60	101.35	0	0
Jul	101.05	100.80	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Dec	23.36	23.65	23.54	23.32
Jan	23.17	23.44	23.33	23.12
Feb	22.92	23.17	23.06	22.87
Mar	22.63	22.86	22.77	22.63
Apr	22.34	22.55	22.45	22.32
May	22.10	22.29	22.20	22.10
Jul	21.70	21.90	21.78	21.70

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Nov	6865	6846	6920	6840
Dec	6960	7046	7015	6935
Jan	6975	7063	7035	6955
Feb	6820	6898	6870	6800
Mar	6500	6555	6535	6485
Apr	6205	6260	6240	6190
May	6000	6070	6040	6000
Jun	5850	5940	5920	5850
Jul	5845	5880	5845	5840
Aug	5875	5945	5875	5860

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Dec	1194	1177	1202	1184
Mar	1257	1241	1265	1252
May	1289	1274	1294	1270
Jul	1318	1305	1325	1305
Sep	1350	1335	1350	1350
Dec	1384	1370	1370	1370
Mar	1418	1405	1430	1395
May	1443	1430	0	0
Jul	1469	1459	1453	1453
Sep	1488	0	1476	1470

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Dec	82.45	83.60	83.00	82.05
Mar	86.35	87.65	87.00	86.10
May	88.80	90.35	89.75	88.50
Jul	91.40	93.00	92.00	91.30
Sep	93.80	95.55	94.50	93.80
Dec	97.50	98.75	98.00	97.50
Mar	101.75	102.35	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	8.79	8.85	8.89	8.76
May	8.65	8.81	8.87	8.73
Jul	8.61	8.75	8.80	8.61
Oct	8.60	8.72	8.86	8.60
Mar	8.50	8.56	0	0

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Dec	62.65	63.22	63.40	62.60
Mar	64.86	65.18	65.44	64.85
May	65.86	65.95	66.00	65.65
Jul	66.72	66.80	66.98	66.70
Oct	65.70	65.70	65.70	65.70
Dec	65.70	65.71	65.80	65.65
Mar	66.90	66.95	0	0

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Nov	164.15	165.80	[illegible]	[illegible]
Jan	163.85	165.95	[illegible]	[illegible]
Mar	163.70	165.25	[illegible]	[illegible]
May	162.95	165.00	[illegible]	[illegible]
Jul	161.95	164.00	[illegible]	[illegible]
Sep	160.45	162.20	[illegible]	[illegible]
Nov	152.10	150.25	[illegible]	[illegible]
Jan	152.10	150.25	[illegible]	[illegible]
Mar	152.10	150.25	[illegible]	[illegible]

INDICES

REUTERS (Base: September 18 1931 = 100)			
Oct 23	Oct 22	mnth ago	yr ago
1651.9	[illegible]	[illegible]	[illegible]

DOW JONES (Base: Dec. 31 1974 = 100)				
	Oct 22	Oct 21	mnth ago	yr ago
Spot	114.67	[illegible]	[illegible]	[illegible]
Futures	124.36	[illegible]	[illegible]	[illegible]

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Nov	560/4	555/4	556/6	550/0
Jan	562/2	567/0	567/6	562/0
Mar	573/2	579/0	578/6	573/0
May	583/2	589/2	[illegible]	[illegible]
Jul	593/2	[illegible]	[illegible]	[illegible]
Aug	593/0	[illegible]	[illegible]	[illegible]
Sep	585/0	[illegible]	[illegible]	[illegible]
Nov	585/2	[illegible]	[illegible]	[illegible]

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Dec	19.81	19.74	19.73	19.60
Jan	19.80	19.84	19.91	19.75
Mar	20.13	20.27	20.27	20.12
May	20.45	20.65	[illegible]	[illegible]
Jul	20.69	20.85	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Sep	21.00	21.07	[illegible]	[illegible]
Oct	21.02	21.07	[illegible]	[illegible]
Dec	21.50	21.40	21.35	[illegible]

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Dec	180.6	181.4	182.5	180.3
Jan	179.3	180.1	181.2	179.0
Mar	178.1	178.7	179.9	177.8
May	177.4	177.2	[illegible]	[illegible]
Jul	178.7	177.8	[illegible]	[illegible]
Aug	178.7	177.0	[illegible]	[illegible]
Sep	178.3	177.0	[illegible]	[illegible]
Oct	180.0	[illegible]	[illegible]	[illegible]
Dec	190.0	190.8	[illegible]	[illegible]

MAIZE 5,000 bu min; cents/56lb bushel

WHEAT 5,000 bu min; cents/60lb-bushel

LIVE CATTLE 40,000 lbs; cents/lbs

LIVE HOGS 30,000 lb; cents/lbs

PORK BELLIES 40,000 lbs; cents/lb

LONDON STOCK EXCHANGE

Share price rally fails to take hold

By Terry Byland, UK Stock Market Editor

THE SLIDE in UK share prices was stemmed yesterday but cautious buying from traders wanting stock ahead of the close of the current equity account tomorrow proved insufficient to sustain a rally. An unconvincing opening to the new session on Wall Street left London to close with little overall change from the previous day.

Bearish views on the implications of the September trade figures announced on Tuesday cast fresh gloom over the outlook for the UK economy. Corporate news was uninspiring and interest on the bid front was restricted to the oil sector, where developments affecting both Lasmo and Ultramar were predicted.

Trading volumes remained low, with the Seaq total of 407.3m, compared with 468.1m on Tuesday, believed to include a substantial proportion of intra dealer business. In addition to the impending close to the equity account, traders had to cope with the expiry yesterday of October contracts in traded options.

Account Dealing Dates		
*First Dealings:		
Oct 14	Oct 28	Nov 11
Option Declarations:		
Oct 24	Nov 7	Nov 21
Last Dealings:		
Oct 25	Nov 8	Nov 22
Account Day:		
Nov 4	Nov 18	Dec 2

*New-time dealings may take place from 8.30 am two business days earlier.

Equities opened lower beneath the shadow of another setback on Wall Street overnight. Share prices quickly steadied, however, as dealers closed bear positions by purchasing stock needed to meet selling transactions agreed earlier in the week. At best, the FT-SE Index was seven points ahead but the impetus soon faded in the continued absence of genuine investment support. The early gain on the Footsie disappeared, and the market remained almost motionless for a time.

For most of the day, the Footsie traded very narrowly around its overnight quotation. With the new session in New York showing only a minor gain on the Dow in London hours, the FT-SE Index closed at 2,561.1, with a net gain on the day of 1.6.

With little likelihood of any positive developments to lift uncertainty on both political and economic fronts before the end of the week, the professional trading houses, which had the market to themselves on Monday and Tuesday, decided to close positions for the current trading account in equities and hope for better prospects next week.

"A time for patience," summarised Barclays de Zoete Wedd's view on the near term outlook for the UK stock market, and the phrase could also stand as the collective view of the London-based securities houses.

Stock Exchange statistics confirm that retail, or customer, business in equities has been modest this week. Tuesday's retail total was only £784m, well short of the levels regarded as satisfactory for a profitable market and in line with recent averages.

An uneven performance from the pound had little effect on the international blue chips, where ICI continued to drift as the market abandoned hopes that the Hanson camp will take action on the back of its 2.8 per cent stake in the ICI equity. Leading oil stocks remained uneasy in the face of Wall Street's slide towards Dow 3,000 again but saw little selling pressure.

With hopes for an early cut in domestic base rates now relegated to the back of the market's consciousness, store and consumer issues remained inactive. The exception was the brewery sector, where Allied-Lyons extended the gain which has greeted the agreement to merge its domestic brewing interests with Carlsberg, the Danish group.

Spotlight turns to Lasmo

SUGGESTIONS that Lasmo, currently bidding for Ultramar, could yet itself emerge as a beneficiary of the current wave of corporate activity in the oil sector drove the shares further ahead yesterday. They closed a further 14 higher at 336p with turnover expanding to an above average 3m shares.

Specialists said Lasmo shares were responding to increasing hints that it will either attract a takeover bid itself – with British Gas and many other international predators said to be interested – or that it could gain control of Ultramar at a knock-down price. "It is not inconceivable that Lasmo may win Ultramar by upping its bid to 350p and that would be a real steal," said one analyst, although he did not rule out the possibility of counter-bids for Ultramar.

There were more rumours that a consortium bid for either Lasmo or Ultramar is being lined up. Elf Aquitaine was suggested as a potential participant, as were SHV, the privately owned Dutch group, and Atlantic Richfield, of the US.

Ultramar slipped 6 more to 341p on 3.5m shares traded, as the October 280 calls expired in the traded options market. Heavy activity in the October 280s was believed to have accelerated Lasmo's move against Ultramar.

A.B. Foods hit

A bear raid triggered by false rumours of an imminent profits warning – later officially denied – prompted a steep early decline in Associated British Foods.

The stock dropped to 454p at one point before rallying strongly to close a net 7 off at 467p. Turnover was well above average at 828,000 shares.

Unfounded market tales suggested that A.B. Foods had been badly affected by a bread price war, especially in northern England but also elsewhere in the UK.

The official denial was followed by some determined buying, which lifted the A.B. Foods share price. Food sector specialists said A.B. Foods "was easy meat for the bears", with the company officially in its "close season", that is, unable to disclose trading information in the period before and after the company announces its figures. A.B. Foods' preliminary figures are scheduled for next month.

The bread price war stories hit other food manufacturers heavily involved in the bread and milling industry. Dalgety slid 8 to 373p on 486,000 shares, while RHM fell to 249p before closing a net 4 off at 252p on 2m. Northern Foods, newly installed in the FT-SE 100 index, retreated 6 to 563p.

Greycoat upset

The fall in the shares of Greycoat, the property company, accelerated yesterday amid fears that the group had pulled out of plans to refinance two London properties.

Greycoat has a complicated set of financing in place and, as Mr Marc Gilbard at County NatWest explained, while this matters little in a bull market, it is a source of uncertainty now. The market was probably unwilling to countenance a refinancing in what it sees as a high risk sector, even at significantly lower interest rates, he said. The company has said it intends to refinance two central London developments, Victoria Plaza and Embankment Place.

After the market closed, the company confirmed it had pulled out of the refinancing of Victoria Plaza but intended to continue with Embankment Place.

For marketmakers, Greycoat's financing structure is a source of uncertainty. They fear that the company might be close to breaching covenants on its debt and the sharp fall in the share price in the last three weeks has only added to the concerns.

The stock fell 16 to 139p, the 14th day of weakness in a row. Greycoat was at 211p on October 3. Turnover yesterday was unusually high at 2.1m. Traders spoke of one large brokerage having bought stock yesterday and then been unable to find a purchaser for the block.

Smiths Industries, which reported full-year figures at the top end of market expectations, experienced a rocky ride. Having risen 4 to 270p early in the session, the shares eased to close a net penny off at 266p on turnover of 4.8m as analysts cut profits forecasts for the following year because of the impending weakness in the aerospace division.

Lucas Industries closed 3 up at 140p, with the last few minutes of the session reported to have been particularly busy. Trading was said to have been helped by a positive presentation at Strauss Turnbull. The day also included presentations from BBA, unchanged at 144p, and APV, 1½ better at 127p.

The warning letter written by Professor Stephen Littlechild, Director General of Electricity Supply, to seven of the regional electricity company chairmen, had an unsettling effect on the regional electricity stocks and also caused ripples throughout other utilities. Professor Littlechild named Eastern, Manweb, Norweb, Northern, Southern, South Western and Yorkshire as likely to overcharge their customers and asked them to rectify the position before end-March 1992.

Northern was the worst affected by the news, falling to 257p before closing a net 7 down at 259p. The Electricity Package lost 63 to £2660.

Anglo Scandinavian Investment Trust raced up to 101p, prior to closing 4 higher at 95p, after the bid from a group of institutional shareholders. The group said it will match ASIT's formula asset value price of 102p a share.

Further consideration of the brewing joint venture between Allied-Lyons and Carlsberg, announced on Tuesday, helped Allied shares and held back those of some of its competitors. Allied improved 6 to 613p. Scottish & Newcastle declined 3 to 401p.

Stores shares had a good day. Marketmakers spoke of hints from retailers that trading had picked up in the last two or three weeks. Sears improved 4 to 102p and Marks and Spencer climbed 5 to 282p. The latter reveals interim results next week.

Boots continued to improve in anticipation of the approval in the US of its heart drug Manoplax. The shares firmed 4 to 437p, their highest level for more than a month.

One exception was Dixons, which continued to lose ground in the wake of a downgrading, said to have been from Cazenove, on Wednesday. The shares lost 3 at 244p, having touched 242p.

Women's clothing manufacturer House of Lerose slipped 4 to 129p after the company announced interim profits slightly higher at £424,000. The accompanying statement warned that "present trading conditions have further declined".

Robert H. Lowe, another clothing manufacturer, announced a rights issue to raise £3.4m and a share capital reorganisation. The share price dropped 3 to 13p.

Food retailers were among the market's weakest performers for much of the session, responding, dealers said, to stories that one of the most influential US investment banks, Goldman Sachs, had cut its profits estimates for all the leading supermarket groups and most notably for Tesco.

Goldman Sachs said its food retailing specialist had reduced estimates for the sector "across the board", but that the reductions had taken place "last week" and "were not that dramatic anyway".

Tesco bore the brunt of the selling, said to have been a belated reaction to the Goldman Sachs shift in forecasts, with the shares closing 6 off at 242p, after 239p; turnover was a hefty 6.3m. Asda edged up to 40½p on 6.2m with the new nil-paid marginally ahead at 5¾p on 13m. Argyll managed a minor gain at 273p on 3.1m and J. Sainsbury was little changed at 354p on 1.4m.

Shares in media buyer Aegis staged an improvement for the first time in three weeks as the company held a presentation on its Spanish joint venture. Analysts heard that Aegis has 15 per cent of the Spanish media buying market. The shares rose 6 to 169p, back to their level of October 15 but still 28p below the October 2 closing price.

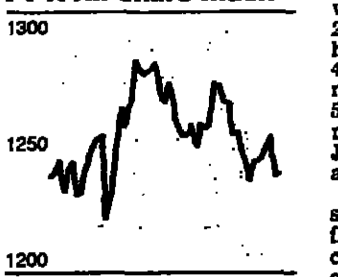
Some 3 per cent of the equity in Community Hospitals Group changed hands yesterday, with UBS Phillips & Drew's Small to Medium Companies team matching a buyer with the seller of 1m shares. The same team placed a 1.5 per cent stake in Plysu in the previous session.

Molynx Holdings, the security and building energy management group, shaded to 103p after disclosing a £5.5m rights issue, deeply discounted at 88p, in connection with two overseas acquisitions.

MARKET REPORTERS:
Daniel Green,
Joel Kibazo, Steve Thompson.

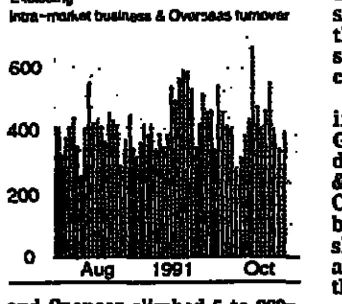
■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 24.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (57).
BRITISH FUNDS (2) Treas. 2pc I-L 1992, Tr. 2pc I-L 1994, BANKS (4) HSBC, Mitsui Tst. & Banking, Schroders, Do. N/V, BUILDINGS (3) Boot (H), Maunders (J), Pochins, CHEMICALS (1) Jeyes, STORES (1) Brown (N), ELECTRICALS (7) Bick, CML Microsystems, Elec. Data Processing, Eurotherm, Norsk Data A, Telefonica, Thorpe (FW), ENGINEERING (2) BM, Johnson & Firth, FOODS (1) Sims Food, INDUSTRIALS (11) Airsprung Furniture, Alumasc, Assoc. Farmers, Bridport-Gundry, Haemocell, ML Labs., Reed Executive, Seton Healthcare, Spandex, Swire Pacific A, Unilever, INSURANCE (1) Berry Birch, LEISURE (2) Campari, Grampian TV A, NEWSPAPERS (2) Euromoney Publctns., News Corp., PAPERS (2) Lawson Mardon, St. Ives, PROPERTY (1) Land Lease, SOUTH AFRICANS (1) SASOL, TRANSPORT (2) CSX, Tibbett & Britten, TRUSTS (8) Anglo Scandinavian, Biotech Prf., Contra-Cyclical Income, Grahams Rintoul, Templeton Emrg. Mkts., OILS (4) Bow Valley, Global Nat. Res., Mobil, Victoria Petlm., MINES (5) Forsayth, Metana Mnls., Minorco, Mount Burgess, St. Barbara.
NEW LOWS (31).
BRITISH FUNDS (1) Treas. 12¼pc Ln. 1992, BUILDINGS (4) Evered Bardon, Higgs & Hill, Jackson Grp., Tarmac, STORES (2) Brown & Jackson, Owen & Robinson, ENGINEERING (3) ASW, Vickers, WB Inds., FOODS (3) Ashley Grp., Low (W), RHM, INDUSTRIALS (3) High-Point, ISA Intl., Melville, LEISURE (1) TSW, PROPERTY (4) Danbury, Greycoat, Hammerson A, Rosehaugh, TEXTILES (2) Cupid, Lowe (Robt. H), TRANSPORT (1) Davies & Newman, TRUSTS (3) Drayton Eng. & Intl. Warrants, Topdanmark, Turkey Tst., OILS (2) Sceptre Res., Trident Petlm., MINES (2) Western & Pacific, Young Grp.

FINANCIAL TIMES STOCK INDICES

	Oct 23	Oct 22	Oct 21	Oct 18	Oct 17	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	86.36	86.22	86.26	86.46	86.56	80.05	87.04 (18/9)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.30	96.27	96.38	96.59	96.59	88.75	97.17 (2/10)	90.59 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share●	1965.1	1963.4	1978.2	1995.5	1988.8	1617.5	2108.3 (2/9)	1608.3 (16/1)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	176.0	174.8	170.2	165.9	164.3	172.7	222.8 (11/7)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2561.1	2559.5	2575.7	2601.1	2588.7	2088.7	2679.6 (2/9)	2054.8 (16/1)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1157.63	1155.88	1158.75	1165.60	1161.08		1198.60 (3/9)	938.82 (16/1)	1198.60 (3/9/91)	938.82 (16/1/91)
●Ord. Div. Yield	4.71	4.72	4.70	4.66	4.71	5.92				
●Earning Yld %(full)	7.46	7.48	7.44	7.37	7.42	12.34				
●P/E Ratio(Net)(*)	16.75	16.70	16.80	16.95	16.83	9.82				
SEAQ Bargains 4.30pm	22,385	22,575	23,651	23,449	24,612	18,776				
Equity Turnover(£m)†	-	784.05	698.16	970.94	861.21	576.05				
Equity Bargains†	-	22,121	23,226	23,315	23,705	15,637				
Shares Traded (ml)†	-	399.5	346.9	411.8	346.9	272.4				

Ordinary Share Index, Hourly changes — Day's High 1971.3 — Day's Low 1962.9

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1963.1	1967.8	1967.9	1970.5	1968.8	1968.4	1967.6	1968.2	1966.8

FT-SE 100, Hourly changes — Day's High 2568.5 — Day's Low 2557.4

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2557.5	2562.5	2562.2	2565.8	2562.4	2561.6	2561.0	2562.3	2561.1

FT-SE Eurotrack 200, Hourly changes — Day's High 1159.70 — Day's Low 1156.87

Open	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1159.27	1158.44	1158.11	1157.78	1157.79	1158.96	1157.75

GILT EDGED ACTIVITY

Indices*	Oct 22	Oct 21
Gilt Edged Bargains	63.2	75.3
5-Day average	73.0	75.7

*SE Activity 1974. †Excluding intra-market business & Overseas turnover.

London report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

YESTERDAY'S closing of the October series options boosted turnover on the traded options market from recent meagre levels.

The session top four stock trading options all had October contracts which expired yesterday. British Steel was the busiest option with the day's total of 2462 lots dealt. Next to the October expiry options, the January 120 puts were reported to have been particularly busy.

Trafalgar House was the second busiest trade with some 2313 lots. Boots at number three in the day's league table traded a total of 1910 contracts. It was followed by Asda with 1435 lots.

The day's total turnover reached 34887 well ahead of Tuesday's total, with 20982 calls and 3905 puts.

The LIFFE market had what one trader called "one of the quietest days this year". Dealers talked of a fairly strong opening but a quiet day on Wall Street and continuing worries over the UK's political future in the wake of recent opinion polls, eroded the early gains.

The premium on the December Footsie future contract ended around 3 points above its estimated fair value of around 35 with turnover reaching only 2925 contracts.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

BRITISH FUNDS—Contd

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

Continued on next page

APPOINTMENTS

Chief for HSBC asset management operations

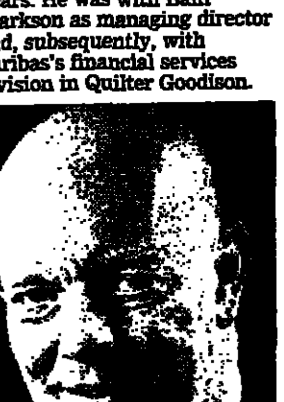
HSBC HOLDINGS, the new UK based holding company for Hongkong and Shanghai Banking and its subsidiaries, announced the appointment of Mr I.C. (Tim) Ferguson as chief executive of the group's asset management operations. He will be based in London and take up his appointment later in the year.

The operations consist of Marinvest, in the US, James Capel Asset Management Group, in the UK and Europe, and the Wardley Investment Services companies in the Asia Pacific region.

Mr Ferguson has spent much of his career at County NatWest Securities, where he became chief executive in 1989. His extensive experience of global securities markets includes several years in Tokyo. He was managing director of County NatWest Securities Japan and was instrumental in securing full membership of the Tokyo Stock Exchange, one of the first bank-owned foreign brokers to achieve such status.

■ Mr Bob Newman has been named managing director of MINET CONSULTANCY SERVICES, the financial services arm of the Minet Group in the UK.

Mr Newman, 57, has been employed in financial services in the City of London for many years. He was with Bain Clarkson as managing director and, subsequently, with Paribas's financial services division in Quilter Goodison.



■ At HALIFAX BUILDING SOCIETY, Mr John Lockhart Wood (pictured) has become a vice-chairman. He succeeds Mr Ronald Walter Archer, a vice-chairman since 1986.

Mr Wood was on Halifax's London board from 1984 to 1986, and since 1986 has been a main board member.

■ Professor Peter Richmond is to join the CO-OPERATIVE WHOLESALE SOCIETY as general manager designate of its technical group. He will work alongside Mr Gordon Amery, the present general manager, before taking over when Mr Amery retires towards the end of 1992.

CWS Technical Group, based in Manchester, employs more than 100 scientists and technicians, ensuring the quality of both food and non-food products for the Co-op.

Prof Richmond is currently Director of the Institute of Food Research, and a professor at the University of East Anglia. He spent eight years from 1973 as research manager and programme co-ordinator at Unilever Research.

■ SMITH & NEPHEW, the international healthcare, medical and consumer products group, has appointed Dr Nancy Lane (pictured) as a non-executive director.

She is an Official Fellow at Girton College, Cambridge, where she is a lecturer and the tutor for scientific research students as well as for clinical veterinary and medical students.

With over 150 papers in the fields of cellular and neuro-biology, Dr Lane is an international authority on the ways in which the cells of organisms interact with one another and with their environment. She has recently been appointed by Prime Minister John Major to his six-member Citizen's Charter Advisory Panel, where she has been given special responsibility for educational matters.

■ Mr Harry Bollon has joined MATHESON BANK, part of Jardine Matheson Holdings Ltd, as a manager with responsibility for the development of private banking business. He was a Bankers Trust vice-president.

■ In a move to further develop its export operations, ERF has made Mr Charles Waggott director of export sales. He formerly served as export sales manager for the Far East at Edbro, and was based in the Netherlands before returning to the UK in 1987.

■ At LAURENTIAN FINANCIAL GROUP, Mr Michael Tallett-Williams is taking on the role of finance director, Laurentian Life. Formerly the company's financial accountant, he joined Laurentian four years ago after spending 11 years working for Abbey Life.

■ Sussex based engineering company GEA SPIRO-GILLS, a subsidiary of GEA AG, of west Germany, has appointed Mr R. Hewitt as sales director due to the pending retirement of Mr A.A. Smith at the end of this year.

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain your free Share Code Booklet ring 071-925-2128.

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ENGINEERING

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LONDON SHARE SERVICE

LEISURE – Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY – Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS – Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie as a guide only.

FINANCE, LAND, ETC

[illegible]

FINANCE, LAND, ETC – Contd

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

MINES – Contd

Australians

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names. α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares. γ Gamma refers to other traded instruments.

Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ● Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xf ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1.. β	638	......
Finlay Pkg. 5p.... β	28xd	......
Holt (Jos) 25p..... β	1985	......

IRISH

Cap 8½% Ln. 2010	£95⅛	-⅛
9pc Cap Ln. 1996..	£98⅝	......
Fin. 13% 97/02..	£114	......
Arnotts..........	190	......
Heiton Hldgs. .....ψ	37	......
IRG..............	125	......
United Drug........	165	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	50
Amstrad	6
Astec (BSR)	5
BAT	53
BOC Grp	48
BTR	33
Barclays	34
Blue Circle	20
Boots	33
Bowaters	55
Brit Aerospace	35
British Steel	10
Brit. Telecom	33
Cadburys	35
Charter Cons	42
Comm Union	40
Courtaulds	38
Eurotunnel	50
FKI	5
FNFC	10
Forte	21
Gen Accident	43
GEC	16
Glaxo	110
Grand Met	67
Guardian	14
GKN	28
Hanson	17
Hawker Sidd	55
ICI	95
Ladbroke	21
Legal & Gen	33
Lex Service	16
Lloyds Bank	30
Lucas Inds	12
Marks & Spencer	21
Midland Bk	20
Nat West Bk	26
P & O Dfd	41
Racal Elect	6
RHM	23
Rank Org Ord	55
Ratners	12
Reed Intnl	35
Sears	8½
SmKl. Beecham A	53
TI	39
TSB	11
Tesco	21
Thorn EMI	65
T&N	14
Unilever	60
Vickers	16
Wellcome	60

Property

Brit Land	27
Control Secs	2
Land Securities	41
MEPC	42
Mountleigh	4

Oils

Aviva Petim	3
Brit Petroleum	26
Burmah Castrol	47
Conroy Petim	8
Gaelic Res	1
Premier	4
Shell	40
Tuskar Res	1
Ultramar	20

Mines

Lonrho	20
RTZ	46

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AUTHORISED UNIT TRUSTS

Morgan Grenfell Unit Tst Mgrs Ltd (1600)H
20 Finsbury Circus, London EC2M 1UT
Dealers: 071-826 0826 Enquiries: 071-826 0123

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Gwth	5¼	172.1	172.1	183.8	+0.6	0.78
European Gth Inc	5¼	196.8	196.8	209.8	+0.4	0.00
European Gth Acc	5¼	196.8	196.8	209.8	+0.4	0.00
Intl Gwth	5¼	147.3	147.3	156.6	+0.2	0.00
UK Equity Inc	5¼	115.1	115.1xd	123.5	-0.5	4.37
UK Equity Acc	5¼	133.5	133.5xd	143.9	-0.5	4.37
UK Ind Tracker Inc	5	123.3	123.3	131.7	-0.4	3.72
UK Ind Tracker Acc	5	134.1	134.1	143.2	-0.4	3.72
US Eq Ind Tracker Inc	5	144.3	144.3xd	154.8	....	2.91
US Eq Ind Tracker Acc	5	149.9	149.9xd	160.8	....	2.91
Japan Tracker	5	66.28	66.28	70.29	-0.14	0.00
Asian Trader	5¼	81.03	81.03xd	86.41	+1.07	1.80
Managed Inc	5¼	102.2	102.2	109.9	-0.1	1.90
Managed Acc	5¼	103.8	103.8	111.7	-0.1	1.90
Cash Inc	0	100.31	100.31xd	100.31	+0.02	10.59
Cash Acc	0	111.52	111.52xd	111.52	+0.02	10.58
Europe	5¼	104.3	104.3	111.5	+0.2	0.00

For Geoffrey Morley see Commercial Union

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

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INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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N & P Life Assurance Ltd

National Mutual Life

National Provident Institution

Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Pegasus Assurance Ltd

Premium Life Assurance Co Ltd

Professional Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Property Life Assurance

Providence Capital Life Assc. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co

Prudential Holborn Life Ltd

Prudential Holborn Pensions Ltd

Prudential Pensions Limited

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Heritage Life Assurance Ltd—Contd.

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Skandia Life Assurance Co Ltd—Contd.

Standard Life Assurance Company

Sun Alliance Group

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

Swiss Pioneer Life Plc

TSB Life Ltd

Target Life Assurance Co Ltd

Target Life Assurance Co Ltd—Contd.

Templeton Life Assurance Limited

Tunbridge Wells Equitable

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

OFFSHORE INSURANCES

Finance International Ltd

Hansard International Ltd.

Isle of Man Assurance Ltd

NEL Britannia International Ltd

PanEuroLife societe anonyme

Premium Life International Ltd

Providence Capital International Ltd

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd

Sun Alliance International Life

Target International Group

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

MANAGEMENT SERVICES

Atticus Investment Services Ltd

C F S Financial Mngmt

Capital Trust Financial Management

Chase de Vere PLC

ECU Futures Plc

Edinburgh Money Management Ltd

Fairmount Financial Services Ltd

Gartmore Fund Managers Ltd

Hamptons Financial Services

IPS Capital Management PLC

Independent Financial Group PLC

Johnson Fry Asset Managers Plc

Knight Williams & Company Ltd

Macartney & Dowie Invest Mgt Plc

Northam Rhogs & Partners

PBR Fund Management Ltd

Pendleton May Financial Services Ltd

Rasborough Financial Management Ltd

Sharp (Albert E.) & Co.

Siltala Fund Managers Limited

South Yorks Financial Planning

Charles Stanley & Co Ltd

Tattersall Investment Mngt. Ltd

Towry Law & Co

J. D. Ward Financial Services Ltd

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

Lazard Fund Mngrs (Channel Islands) Ltd

Lloyds Intl Money Market Fund Ltd

M & G (Guernsey) Ltd

Prolific International Mngmt Ltd

Rothschild Asset Management (CI) Ltd

Royal Bank of Canada Funds

Sarasin Funds Mngmt (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

GUERNSEY (REGULATED)

Adams & Neville Fund Mngt (Guernsey) Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Credit Suisse Asset Mngmt (Guernsey) Ltd

Fleet-Cassell Fund Mngrs (Guernsey) Ltd

Henderson Admin. (Guernsey)

Hambros Fd Mgrs (CI) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Nikko Capital Mngt (Europe) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

GAM Fund Management Ltd

Bank of Ireland Unit Managers Ltd

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Baring International Fd Mngrs (Ireland) Ltd

Federated International Funds Plc

ISLE OF MAN (SIB RECOGNISED)

Allied Dunbar Intl Fund Mgrs (1600)F

ISLE OF MAN (REGULATED)(**)

GUERNSEY (REGULATED)

JERSEY (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

Midland Bank Fund Managers (Jersey) Ltd

PO Box 26, St Helier, Jersey 0534 606000

For MIM see INVESCO MIM

Royal Trust Jsy Fd Mngt Ltd (1400)F

PO Box 428, St Helier, Jersey 0534 76077

TSB Trust Funds (CI)

PO Box 538, St Helier, Jersey 0534 73494

TSB Offshore Investment Fund Ltd

TSB Gilt Fund Ltd

JERSEY (REGULATED)(**)

Barclays Intl Funds

Currency Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Sterling		£21.24	+0.01	9.6
US Dollar		$33.37		4.5
Deutschemark		DM55.06	+0.01	8.0
Yen		¥4 036		5.6
Managed Multicurrency	£23.30	23.78		-
Managed Multicurrency	$25.14	26.08		-

Worldinvest (Managers) Jersey Ltd

Valued weekly * Mondays † Wednesdays

LUXEMBOURG (SIB RECOGNISED)

Abbey Global Investment Fund (u)

41 Ave de la Gare, L-1611, Luxembourg

Abtrust Fund Mngrs Luxembourg SA (u)

13 rue Goethe L-1637 Luxembourg 010 352 404646

Abtrust Atlas Fund

Hill Samuel Inv Services Intl SA (u)

Marktgasse 63/65 3001 Berne Switzerland 224051

Hill Samuel Global Portfolio

Banque Ferrier Lullin (Lux) SA

Banque Paribas Luxembourg

CB Fund International (u)

CM Investment Serial Funds

Capel-Cure Myers Intnl Fd Sicav (u)

LUXEMBOURG (REGULATED)(**)

Top Brand Fund Intl-SICAV (u)

by AB Warburg Asset Mngt London

Transworld Bond Trust

US Pacific Stock Fund (u)

Unibank SA, Frontrunner I (u)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

GT Management Plc-Contd.

Gaia Currency Funds

Nomura Warrant Fund 1990 Ltd

North Star Fund Managers (Cayman) Ltd

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar continues to drift higher

THE DOLLAR continued to drift higher yesterday as speculation about a cut in Japanese interest rates and tax cuts for middle income American families lent support to the US currency.

But for much of the day it was routine activity which dominated the currency market. "Trading was largely technical and the dollar was lifted by a widespread feeling that it has bottomed out and it was going to creep higher," said Mr Michael Feeny of Sumitomo Bank in London.

The dollar had begun the session firmly in Europe after dealers in Asian markets had continued to speculate about a cut in Japanese rates.

Mr Yasushi Mieno, the governor of the Bank of Japan, said the central bank would continue to adopt a cautious monetary policy which emphasised price stability. But comments that money market rates would follow economic activity was taken as a hint that rates could soon be lowered.

The talk about Japanese interest rates has pushed discussion on the US economy *into the background. But this* could re-emerge with the release of US September durable goods figures today. A monthly rise of 0.5 per cent against a 3.9 per cent decline in August is expected.

These figures are likely to back up the latest report from the Federal Reserve, which indicated that the US economy is making a slow recovery from recession.

The dollar closed at DM1.7045 from DM1.6945; at SFr1.4895 from SFr1.4800; at Y131.60 from Y131.15; and at FFr5.8150 from FFr5.7825.

Within the ERM, the French franc remained resilient despite mounting domestic political worries. The franc was at the bottom of the ERM grid but rose slightly against the D-Mark. The mark weakened to FFr3.410 from FFr3.413.

The Spanish peseta was firm as the Bank of Spain reaffirmed in its money market operations that interest rates would be unchanged. The peseta's lead over the French franc (the weakest currency in the ERM) widened to 5.11 per cent from 4.94 per cent.

Sterling remained just above the French franc within the ERM as recent opinion polls which put the Labour party ahead of the Conservatives continued to weigh on sentiment.

The pound dipped to around DM2.9050 at one stage but later recovered to DM2.9100 on fears that the Bank of England could intervene to support the pound if it dropped to the DM2.900 level.

Dealers believe the Bank stepped in to support sterling earlier this month when the it approached DM2.9000. But the expectation of further UK rate cuts continue to weaken sterling.

Sterling closed higher at *DM2.9075 from DM2.9050*; at SFr2.5400 from SFr2.5375; and at FFr9.9175 from FFr9.9150; but was lower at $1.7055 from $1.7145; and at Y224.50 from Y224.75. *Sterling's index* finished unchanged at 90.3.

£ IN NEW YORK

Oct.23	Latest	Previous Close
£ Spot	1.7055-1.7065	1.7095-1.7105
1 month	0.76-0.75pm	0.79-0.77pm
3 months	2.14-2.12pm	2.09-2.06pm
12 months	7.12-7.02pm	7.07-7.00pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Oct.23	Previous
8.30 am	90.2	90.3
9.00 am	90.2	90.3
10.00 am	90.2	90.3
11.00 am	90.2	90.2
Noon	90.2	90.2
1.00 pm	90.2	90.2
2.00 pm	90.2	90.3
3.00 pm	90.2	90.3
4.00 pm	90.3	90.3

CURRENCY MOVEMENTS

Oct 23	Bank of England Index	Morgan** Guaranty Changes %
Sterling	90.3	-21.1
U.S Dollar	65.0	-14.5
Canadian Dollar	107.1	+4.4
Austrian Schilling	108.8	+11.5
Belgian Franc	110.6	-2.3
Danish Krone	107.9	+2.8
D-Mark	116.9	+22.9
Swiss Franc	109.2	+18.1
Dutch Guilder	113.3	+15.5
French Franc	101.8	-13.7
Lira	98.4	-19.9
Yen	142.2	+75.5

Morgan Guaranty changes: average 1980-1982=100 Bank of England Index (Base Average 1985=100). **Rates are for Oct.22

CURRENCY RATES

Oct 23	Bank rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.793527	0.703721
U.S Dollar	5.00	1.35828	1.19949
Canadian $	8.46	1.53010	1.35219
Austrian Sch	7.50	16.2124	14.4071
Belgian Franc	8.00	47.4515	42.1532
Danish Krone	9.50	8.91371	7.92505
D-Mark	7.50	2.30500	2.04754
Dutch Guilder	8.00	2.59757	2.30723
French Franc	10¼	7.86240	6.98405
Italian Lira	11½	1724.05	1530.55
Japanese Yen	5.50	178.071	157.793
Norway Krone	8	9.03120	8.02017
Spanish Peseta	-	145.259	128.838
[illegible]	[illegible]	[illegible]	[illegible]

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Oct.22

OTHER CURRENCIES

Oct 23	£	$
[illegible]	[illegible]	[illegible]
Luxembourg	59.90 - 60.00	35.10 - 35.20
Malaysia	4.6900 - 4.6980	2.7500 - 2.7520
Mexico	5220.55 - 5227.05	3061.00 - 3063.00
N.Zealand	3.0760 - 3.0805	1.8030 - 1.8055
Saudi Ar	6.3600 - 6.4365	3.7500 - 3.7510
Singapore	2.8905 - 2.8980	1.6960 - 1.6980
S.Af (Cm)	4.8520 - 4.8635	2.8460 - 2.8470
S.Af (Fn)	5.2495 - 5.3315	3.0770 - 3.1250
Taiwan	45.20 - 45.30	26.50 - 26.55
U.A.E.	6.2270 - 6.3045	3.6715 - 3.6735

* Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Oct 23	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	128.838	-3.59	5.06	62
Belgian Franc	42.4032	42.1532	-0.59	1.89	33
Italian Lira	1538.24	1530.55	-0.50	1.80	29
D-Mark	2.05586	2.04754	-0.40	1.70	32
Dutch Guilder	2.31643	2.30723	-0.40	1.69	24
Irish Punt	0.767417	0.765618	-0.23	1.53	15
Sterling	0.696904	0.703721	0.98	0.31	-20
Danish Krone	7.84195	7.92505	1.06	0.23	-44
French Franc	6.89509	6.98405	1.29	0.00	-66

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Oct 23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7030 - 1.7075	1.7050 - 1.7060	0.76-0.74cpm	5.28	2.12-2.09pm	4.94
Canada	1.9195 - 1.9270	1.9195 - 1.9205	0.41-0.34cpm	2.34	1.14-1.01pm	2.24
Netherlands	3.2725 - 3.2845	3.2725 - 3.2825	½-¼cpm	1.14	1¼-⅞pm	1.22
Belgium	59.70 - 60.10	59.90 - 60.00	8-4cpm	1.20	22-17pm	1.30
Denmark	11.2235 - 11.2835	11.2500 - 11.2550	1½-¼orepm	1.20	3⅞-2⅜pm	1.18
Ireland	1.0850 - 1.0895	1.0885 - 1.0895	0.04-0.08pdis	-0.66	0.06-0.16dis	-0.40
Germany	2.9050 - 2.9125	2.9050 - 2.9100	½-¼pfpm	1.29	⅞-¾pm	2.67
Portugal	249.30 - 250.80	250.00 - 250.50	5-25cdis	-0.72	82-136dis	-1.74
Spain	182.40 - 183.50	182.70 - 183.00	20-39cdis	-1.94	73-117dis	-2.08
Italy	2170.25 - 2178.60	2172.50 - 2173.00	par-2liredis	-0.55	4-6dis	-0.92
Norway	11.3705 - 11.4185	11.3825 - 11.3925	¼-⅝oredis	-0.33	1-parpm	0.18
France	9.9035 - 9.9365	9.9125 - 9.9225	1⅝-1¼cpm	1.51	3½-2⅝pm	1.16
Sweden	10.5695 - 10.6160	10.5775 - 10.5875	¼-½oredis	-0.35	¼-1dis	-0.21
Japan	224.00 - 225.00	224.00 - 225.00	⅞-¾ypm	4.34	2⅜-2¼pm	4.12
Austria	20.43 - 20.51	20.47 - 20.50	2⅛-1¼gropm	1.06	6⅝-3⅝pm	1.00
Switzerland	2.5350 - 2.5450	2.5350 - 2.5450	⅝-½cpm	2.36	1⅝-1¼pm	1.97
Ecu	1.4175 - 1.4240	1.4195 - 1.4205	0.13-0.09cpm	0.93	0.21-0.15pm	0.51

Commercial rates taken towards the end of London trading. Six-month forward dollar 3.99-3.94cpm. 12 Month 7.14-7.04pm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Oct 23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7030 - 1.7075	1.7050 - 1.7060	0.76-0.74cpm	5.28	2.12-2.09pm	4.94
Ireland†	1.5655 - 1.5700	1.5675 - 1.5685	0.62-0.57cpm	4.55	1.82-1.72pm	4.52
Canada	1.1250 - 1.1285	1.1265 - 1.1275	0.26-0.29cdis	-2.93	0.74-0.79dis	-2.72
Netherlands	1.9170 - 1.9240	1.9205 - 1.9215	0.61-0.64cdis	-3.90	1.89-1.93dis	-3.98
Belgium	35.05 - 35.20	35.10 - 35.20	10.50-12.50cdis	-3.93	31.00-37.00dis	-3.87
Denmark	6.5975 - 6.6025	6.5950 - 6.6000	2.10-2.40oredis	-4.09	6.15-6.65dis	-3.88
Germany	1.7000 - 1.7085	1.7040 - 1.7050	0.56-0.57pfdis	-3.98	1.70-1.73dis	-4.02
Portugal	146.60 - 146.80	146.70 - 146.80	71-78cdis	-6.09	240-255dis	-6.75
Spain	107.10 - 107.50	107.25 - 107.35	65-71cdis	-7.60	189-199dis	-7.23
Italy	1272.00 - 1276.00	1273.75 - 1274.25	6.10-6.60liredis	-5.98	18.50-19.50dis	-5.97
Norway	6.6675 - 6.6890	6.6750 - 6.6800	2.80-3.10oredis	-5.30	8.10-8.60dis	-5.00
France	5.8000 - 5.8240	5.8125 - 5.8175	1.85-1.90cdis	-3.87	5.60-5.70dis	-3.89
Sweden	6.1985 - 6.2215	6.2025 - 6.2075	2.65-2.90oredis	-5.37	8.15-8.60dis	-5.40
Japan	131.15 - 131.65	131.55 - 131.65	0.12-0.13ydis	-1.14	0.25-0.27dis	-0.79
Austria	11.9750 - 12.0125	12.0025 - 12.0075	4.00-4.40grodis	-4.20	11.90-13.20dis	-4.18
Switzerland	1.4850 - 1.4925	1.4890 - 1.4900	0.37-0.39cdis	-3.06	1.11-1.14dis	-3.02
Ecu	1.1985 - 1.2025	1.2005 - 1.2015	0.47-0.43cpm	4.50	1.38-1.32pm	4.50

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Oct 23	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	10¼ - 10⅛	10⅞ - 10⅝	10⅞ - 10¾	10⅝ - 10⅞	10⅝ - 10⅛	10⅛ - 10¼
US Dollar	5½ - 5⅜	5⅝ - 5½	5⅝ - 5¼	5½ - 5⅜	5½ - 5⅜	5⅞ - 5⅝
Can. Dollar	8 - 7⅞	8⅛ - 7⅞	8 - 7⅞	8 - 7⅞	7⅞ - 7¾	7⅞ - 7⅞
Dutch Guilder	9¼ - 9	9⅜ - 9⅛	9¼ - 9½	9⅜ - 9¼	9⅛ - 9⅜	9⅛ - 9⅜
Swiss Franc	8½ - 8¼	8⅝ - 8⅜	8¼ - 8⅛	8⅝ - 8⅜	8⅝ - 8⅜	8⅜ - 8⅛
D-Mark	9⅜ - 9⅛	9¼ - 9⅛	9⅛ - 9⅛	9⅞ - 9⅝	9⅞ - 9⅝	9⅝ - 9⅜
French Franc	9 - 8¾	9 - 8¾	9 - 8¾	9⅞ - 9¾	9⅜ - 9⅜	9⅜ - 9¼
Italian Lira	12 - 10	11 - 10⅜	11⅛ - 10⅞	11⅜ - 10⅞	11⅛ - 11	11½ - 11¼
Belgian Franc	9⅜ - 9⅛	9⅜ - 9⅛	9⅝ - 9⅛	9⅜ - 9⅛	9⅜ - 9⅛	9⅞ - 9⅜
Yen	6⅞ - 6⅝	6¾ - 6⅝	6⅝ - 6⅝	6⅞ - 6¾	6⅛ - 5⅞	5⅞ - 5⅝
Danish Krone	9⅝ - 9⅜	9¼ - 9⅛	9¼ - 9⅛	9⅝ - 9⅜	9½ - 9⅜	9⅝ - 9⅜
Asian $Sing	4 - 3⅞	4⅛ - 3⅞	4⅛ - 4	4⅛ - 4⅛	4½ - 4⅜	4⅝ - 4⅜

Long term Eurodollars: two years 6⅛-6⅛ per cent; three years 6⅞-6⅝ per cent; four years 7⅜-7⅛ per cent; five years 7½-7⅜ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Oct.23	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Ecu
£	1	1.706	2.908	224.5	9.918	2.540	3.278	2173	1.920	59.95	1.420
$	0.586	1	1.705	131.6	5.814	1.489	1.921	1274	1.125	35.14	0.832
DM	0.344	0.587	1	77.20	3.411	0.873	1.127	747.2	0.660	20.62	0.488
YEN	4.454	7.599	12.95	1000.	44.18	11.31	14.60	9679	8.552	267.0	6.325
F Fr.	1.008	1.720	2.932	226.4	10.	2.561	3.305	2191	1.936	60.45	1.432
S Fr.	0.394	0.672	1.145	88.39	3.905	1	1.291	855.5	0.756	23.60	0.559
N Fl.	0.305	0.520	0.887	68.49	3.026	0.775	1	662.9	0.586	18.29	0.433
Lira	0.460	0.785	1.338	103.3	4.564	1.169	1.509	1000.	0.884	27.59	0.653
C$	0.521	0.889	1.515	116.9	5.166	1.323	1.707	1132	1	31.22	0.740
B Fr.	1.668	2.846	4.851	374.5	16.54	4.237	5.468	3625	3.203	100.	2.369
Ecu	0.704	1.201	2.048	158.1	6.985	1.789	2.308	1530	1.352	42.22	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

* Contracts traded on APT after trading hours

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7055	1.6980	1.6845	1.6659	1.6346

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls December	Calls March	Calls June	Puts December	Puts March	Puts June
105	-	-	-	0.08	0.44	-
106	1.14	1.65	-	0.25	0.74	-
107	0.52	1.08	-	0.64	1.12	1.21
108	0.18	0.67	-	-	-	-
Open Int	111,044	61,081	2,570	89,958	41,557	9,123

Estimated volume 33,423 Total Open Interest 315,133

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	McDonnell Douglas Bnk	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Midland Bank	10.5
AIB Bank	10.5	Dunbar Bank PLC	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Duncan Lawrie	10.5	NatWestminster	10.5
B & C Merchant Bank	10.5	Equatorial Bank plc	10.5	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Exeter Bank Limited	11	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10.5	Financial & Gen. Bank	11	Provincial Bank PLC	14
Bank of Cyprus	10.5	First National Bank Plc	14	Roxburghe Bank Ltd	11.5
Bank of Ireland	10.5	● Robert Fleming & Co.	10.5	Royal Bk of Scotland	10.5
Bank of India	10.5	Robert Fraser & Ptnrs.	11	● Smith & Williamson Secs.	10.5
Bank of Scotland	10.5	Girobank	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	● Guinness Mahon	10.5	TSB	10.5
Barclays Bank	10.5	● Hambros Bank	10.5	Unibank plc	10.5
Benchmark Bank	11	Hampshire Trust Plc	13.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	Heritable & Gen Inv Bnk	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Western Trust	10.5
CL Bank Nederland	10.5	C. Hoare & Co.	10.5	Westpac Bank Corp.	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	Julian Hodge Bank	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	● Leopold Joseph & Sons	10.5		
Co-operative Bank	10.5	Lloyds Bank	10.5		
Coutts & Co	10.5	Meghraj Bank Ltd	10.5		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

London rates firm

LONDON money rates remained firm yesterday on the widespread expectation that over the coming days the market will remain short of liquidity. Some early temporary weakness in sterling also kept rates firm.

Short-term money rates initially moved higher after the Bank of England was unable to provide much early assistance to the market. It had forecast a shortage of £750m but was only able to buy £46m of bills from the money market.

But rates subsequently eased after the Bank bought £816m of bills in the afternoon. Its purchases included £32m of band 1 Treasury bills; £485m of band 1 bank bills; and £299m of band 2 bank bills.

After revising its estimate of the shortage to £950m, the Bank's operations for the day left the market £98m short of liquidity.

With large numbers of bills maturing next week, which the Bank has to buy back from the market, money dealers are expecting further shortages. This is likely to underpin short-term money rates.

Sterling's weakness pushed longer-dates rates up. The key three months inter-bank rate closed at 10 17/32-15/32 per cent, up 1/32 point on the day.

Worries about the standing of the governing Conservative party continue to keep the pound on the defensive. Sterling's trade weighted index dipped slightly, although by the close it was unchanged at 90.3.

In the futures market, the December short sterling contract closed unchanged at 89.83, which implies dealers are not expecting a cut in interest rates before the end of the year. But the futures market is anticipating a rate reduction by the end of March of next year.

In Frankfurt there was some speculation that monetary policy may be tightening after the results of the Bundesbank's latest securities repurchase pact were declared. Funds in its DM10.2bn pact were allocated at 9.05 per cent, up from 9.00 per cent last time.

But *Mr Jonathon Griggs* at Barclays Bank in London said the results had no implications for German interest rate policy. Overnight money had been rising recently and commercial banks were being forced to bid at higher rates for the Bundesbank's funds, he said.

In the German money market, call money rates were unchanged at 9.05-9.10 per cent and have remained below 9.10 per cent in recent days.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct 23) 3 months US dollars		6 months US Dollars	
bid 5⅛	offer 5¼	bid 5⅜	offer 5½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Lunchtime

Prime rate; Broker loan rate; Fed.funds; Fed.funds at intervention

Treasury Bills and Bonds

One month	5.16	Three year	6.26
Two month	5.15	Four year	6.39
Three month	5.18	Five year	6.95
Six month	5.32	Seven year	7.36
One year	5.41	10-year	7.67
Two year	6.00	30-year	8.08

Oct.23	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.00-9.12	9.00-9.15	9.05-9.20	9.20-9.35	9.25-9.40	9.25
Paris	8⅞-8⅞	8⅞-9⅛	9⅛-9⅛	9⅛-9¼	9⅛-9⅛	9.25
Zurich	7⅝-7⅞	8-8⅛	-	8¼-8⅜	-	-
Amsterdam	8.85-9.00	9.15-9.20	-	9.30-9.35	-	-
Tokyo	6⅞-6⅝	6½-6⅝	-	6⅜-6⅜	-	-
Milan	10⅝-10⅞	11⅛-11½	-	11⅝-11⅛	-	-
Brussels	9.18-9.31	9⅛-9⅛	-	9⅛-9⅜	-	-
Dublin	10-10⅛	10⅛-10⅛	10⅛-10⅛	10⅛-10⅛	10⅛-10⅛	-

LONDON MONEY RATES

Oct 23	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	11¼	10¾	10⅝	10½	10⅝	10⅝
Interbank Bid	9¾	10½	10½	10⅜	10⅝	10¼
Sterling CDs	-	-	10 15/32	10 7/16	10⅝	10¼
Local Authority Deps.	10 11/16	10 11/16	10 11/16	10 11/16	10⅜	10⅜
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	10¾	10⅝	-	-	-	-
Company Deposits	-	-	10¾	10 13/32	10 7/16	10⅜
Finance House Deposits	-	-	10⅝	10½	10⅜	10¼
Treasury Bills (Buy)	-	-	10⅜	9 29/32	9⅞	-
Bank Bills (Buy)	-	-	10⅜	10¼	9¾	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	5.32	5.43	5.43	5.63
SDR Linked Dep. Offer	-	-	7¼	7⅛	7⅛	7⅛
SDR Linked Dep. Bid	-	-	6 13/16	7	7	7
ECU Linked Dep. Offer	-	-	9¾	9 11/16	9 11/16	9 11/16
ECU Linked Dep. Bid	-	-	9⅝	9 9/16	9 9/16	9 9/16

Treasury Bills (sell); one-month 10⅛ per cent; three months 9 29/32 per cent; six months 9⅞ per cent; Bank Bills (sell): one-month 10⅜ per cent; three months 10⅜ per cent; Treasury Bills; Average tender rate of discount 9.8627 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day September 30, 1991. Agreed rates for period Oct.26, 1991 to November 25, 1991, Scheme I: 11.70 p.c., Schemes II & III: 11.64 p.c. Reference rate for period August 31, 1991 to September 30, 1991, Scheme IV&V: 10.351 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 from September 1, 1991: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7 per cent; one-three months 9½ per cent; three-six months 9 per cent; six-nine months 9 per cent; nine-twelve months 9 per cent; Under £100,000 7 per cent from Sept 5, 1991. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

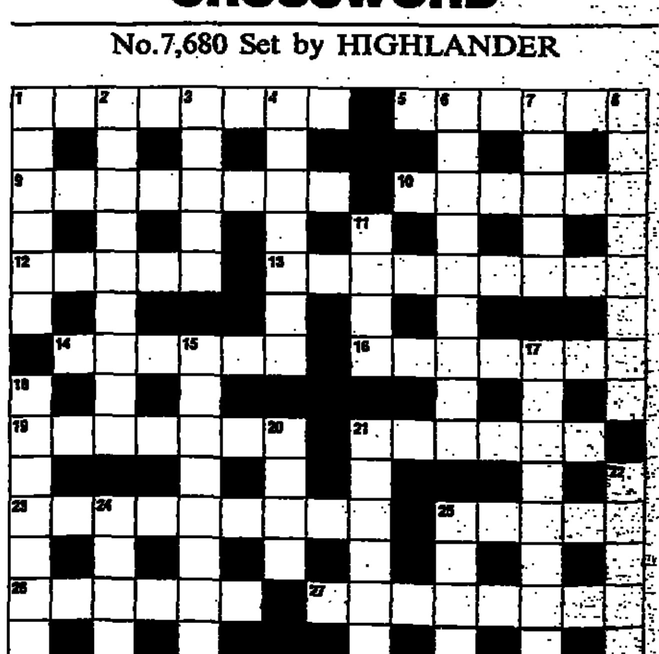
Money Market Bank Accounts

[illegible]

JOTTER PAD

CROSSWORD

No.7,680 Set by HIGHLANDER



ACROSS

1 His fear of Spanish is a pinch eccentric (8)
5 Difficulty with sound in second feature (6)
9 Honest broker made it in an amalgam of gold (8)
10 Family tax (6)
12 In printing, measure border to be set (5)
13 Appearing dumb about the master is natural for native speakers (9)
14 Wine initially given extravagant commendations (6)
16 Study in depth ought to be considered a part of it (7)
19 Very little time to dispose of English wine (7)
21 Make a move, winning increase (4,2)
23 To be in Rome: Latin translation is necessary (9)
25 Romance about Charles I turns into brilliant success (5)
26 Tax authorities love to add insurance contribution — how paradoxical (6)
27 Help backward group of natives to end abuse (9)
28 Not worth considering fixed start (6)
29 Neat and accurate, even if conventional (8)

DOWN

1 Food and rent for small place in the country (6)
2 Border poet's facial hair (9)
3 A tie lifted the prize (5)
4 Piano keyboard one is overcomplicated (7)
6 Time inside, to the French in N. America, is a tribal symbol (5,4)
7 Tailor makes a note over fitting (5)
8 It shows strength of will; yet it can go to pieces (8)
11 Short Commons legislative assembly ? (4)
15 Saint reveals fast is in vain: note message for loved one (9)
17 Demanding porridge and fish (9)
18 I'm Paddy; I work on skin disease (8)
20 Leave middlemen cross with it (4)
21 Performer who is not accompanied finishes first (7)
22 Give evidence at scientific investigation (6)
24 Go and search for ducks wearing rabbit's tail (5)
25 Unusually wide old cargo capsizes (5)

Solution to Puzzle No.7,679

WORLD STOCK MARKETS

CANADA

TORONTO

3.00 pm prices October 23

INDICES

NEW YORK

DOW JONES	Oct 22	Oct 21	Oct 18	Oct 17	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
◊Industrials	3039.80	3060.38	3077.15	3053.00	3077.15 (18/10)	2470.30 (9/1)	3077.15 (18/10/91)	41.22 (2/7/32)
Home Bonds	96.99	97.12	97.55	97.25	97.55 (18/10)	91.30 (16/1)	97.55 (18/10/91)	54.99 (1/10/81)
Transport	1280.83	1280.27	1287.56	1286.43	1287.56 (18/10)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	213.07	213.76	214.76	214.51	220.89 (16/4)	195.17 (10/7)	236.23 (2/1/90)	10.50 (8/4/32)

◊Day's High 3084.53 (3085.20) Low 3020.57 (3042.49)

STANDARD AND POOR'S

	Oct 22	Oct 21	Oct 18	Oct 17	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	387.83	390.02	392.50	391.92	396.64 (28/8)	311.49 (9/1)	396.64 (28/8/91)	4.40 (1/6/32)
Industrials	459.08	461.95	464.80	464.17	472.01 (29/8)	364.90 (9/1)	472.01 (29/8/91)	3.62 (21/6/32)
Financial	31.25	31.41	31.83	31.74	32.24 (14/8)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	213.87	214.88	216.15	215.81	217.17 (28/8)	170.97 (9/1)	217.17 (28/8/91)	4.46 (25/4/42)
Amex Mkt. Value	381.84	381.78	382.49	381.11	382.49 (18/10)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	537.14	536.96	538.90	536.27	540.94 (16/10)	355.75 (14/1)	540.94 (16/10/91)	54.87 (31/10/72)

	Oct 18	Oct 11	Oct 4	year ago (approx.)
Dow Industrial Div. Yield	3.00	3.10	3.12	4.03

	Oct 16	Oct 9	Oct 2	year ago (approx.)
S & P Industrial div. yield	2.69	3.24	2.74	3.59
S & P Indl. P/E ratio	21.44	20.53	21.14	14.15

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Duracell I	4,583,900	28⅝	- ¼
Philip Morris	4,381,700	69⅜	- 2⅛
Toys R Us	3,824,600	29⅜	- 3⅛
Pepsico	3,644,400	27⅛	- ⅛
RJR Nabisco	2,841,600	10½	- ⅛
Chicorp	2,836,600	11⅛	- ⅛
Westinghouse El	2,604,700	16	- ⅛
Bristol Myers	2,045,500	79½	- 1⅛
Telefonica	1,848,800	35	- ⅛
Amer T & T	1,830,200	38⅛	—

TRADING ACTIVITY

† Volume (Millions)	Oct 22	Oct 21	Oct 18
New York SE	194.130	153.770	204.030
Amex	15.772	13.577	14.670
NASDAQ	180.125	158.140	212.126
NYSE			
Issues Traded	2,126	2,126	2,123
Rises	684	616	877
Falls	917	1,016	723
Unchanged	525	494	523
New Highs	122	97	149
New Lows	17	16	9

CANADA

TORONTO	Oct 22	Oct 21	Oct 18	Oct 17	1991 HIGH	1991 LOW
Metals & Minerals	2991.86	3003.25	3031.99	3015.69	3299.99 (18/7)	2632.06 (9/1)
Composite	3467.39	3467.21	3482.34	3466.15	3582.07 (7/6)	3161.95 (15/1)
MONTREAL Portfolio	1835.42	1838.33	1847.25	1841.04	1903.86 (7/6)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

TAIWAN** Weighted Price (30/6/66)	4135.64	4088.65	4296.5	4334.30	6305.22 (9/5)	3316.26 (15/1)
THAILAND Bangkok SET (30/4/75)	(c)	622.07	630.80	619.34	908.13 (19/4)	582.48 (16/1)
WORLD M.S. Capital Intl.(1/1/70) (§)	517.4*	519.1	522.3	524.9	529.2 (17/4)	439.1 (16/1)

**Saturday October 19: Taiwan Weighted Price: 4391.47. Korea Comp Ex. 698.24.
§ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Wednesday, 23 October, 1991

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Meiji Milk Prods.	15.5	1,230	-30	Tokyo Land	5.8	728	+57
Nippon Zeon	12.4	728	-17	Sekisui House	6.7	1,610	+10
Nippon Chem.	10.9	1,150	+80	Kanematsu	4.8	830	+20
Japan Strge Bat.	10.7	1,170	+50	Toyoma Chem.	4.5	814	+35
Toyo Tire Rbbr	8.5	1,010	0	Central Glass	4.4	683	+15

3:15 pm prices October 23

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16 7/8	9 1/4	AAR Corp x	0.48	0.03	19	109	14 1/4	14	14 1/8	
19 3/4	14 1/2	A L Labs A	0.16	0.01	22	615	u20 1/2	19 1/2	19 7/8	+1/8
55 3/4	40 3/8	AMP Inc	1.44	0.03	19	905	50 7/8	50 1/8	50 3/4	+3/4
68 5/8	44 1/4	AMR			12	1964	64 5/8	63 3/4	64	+1/4
2 3/8	1	ARX			1	6	1 1/2	1 1/2	1 5/8	
58	41 1/2	ASA	3.50	0.07	14	186	50 1/8	49 1/2	49 1/2	-7/8
57 1/8	39 1/4	Abbott Lab	1.00	0.02	23	4787	u67 3/4	56 5/8	67 3/8	+5/8
14 5/8	9 3/8	Abitibi Pr	0.50	0.04	24	13	13 1/8	13 1/8	13 1/8	
11 5/8	10 3/8	ACM Gvt In	1.26	0.12		1102	10 3/4	10 5/8	10 5/8	
9 3/4	8 3/4	ACM GvOpp	1.01	0.10		38	9 5/8	9 5/8	9 5/8	+1/8
9 1/2	8 1/4	ACM Gvt Sp	1.01	0.11		344	9 1/8	9	9	
11	9 7/8	ACM Gvt Se	1.26	0.12		1965	10 5/8	10 1/2	10 1/2	-1/8
9	7 5/8	ACM Man	1.01	0.12		496	8 5/8	8 1/2	8 1/2	-1/8
12 7/8	11 1/2	ACM Mgd	1.35	0.11		192	12 3/4	12 5/8	12 5/8	
7 1/2	4 1/4	Acme Clev x	0.40	0.06	17	57	6 5/8	6 1/2	6 1/2	
8	3 1/8	Acme Elect			2	8	4 3/8	4 1/4	4 3/8	
40	22 1/4	Acuson			24	792	35 1/8	34 7/8	35 1/8	+1/2
19 1/4	14 1/4	Adams Expr	0.73	0.04	0	73	u19 1/4	19 1/8	19 1/8	-1/8
20 1/8	17 1/2	Adobe12Pf x	2.40	0.13		11	19	19	19	-1/8
9 1/4	6 5/8	Adobe Res			48	85	7 1/4	7 1/4	7 1/4	+1/8
38 7/8	18	Ad Micro				52	33 7/8	33 1/4	33 3/4	
14 1/4	4 1/8	Ad Micro P	3.00	0.28	82	4001	10 7/8	10 5/8	10 3/4	-1/8
6 1/8	2 1/4	Advest Grp	0.16	0.04	8	39	4 3/8	4 1/8	4 1/8	-1/4
49 1/8	31 7/8	Aetna LI x	2.76	0.07	7	1430	37 1/8	36 7/8	37 1/8	+1/2
10 5/8	6 5/8	Ahli A	0.24	0.03	52	178	7 7/8	7 7/8	7 7/8	
20 7/8	12	Ahmanson	0.88	0.06	10	1601	16 1/8	15 7/8	15 7/8	+1/8
17	2 7/8	Aileen Inc			15	1913	16 3/8	14 3/4	14 7/8	-1 5/8
74 1/8	51 3/4	Air Pr Chm	1.66	0.02	15	606	70 1/4	69	69 7/8	-1/4
30	16 5/8	Airbne Frt	0.30	0.01	18	745	25	24 7/8	25	-1/8
19 7/8	12 1/2	Airgas Inc			102	28	18 5/8	18 1/8	18 1/2	-1/8
15 1/4	10	Airlease	1.68	0.13	8	21	12 5/8	12 1/4	12 1/2	-1/8
99	86 1/4	AlaPw8.16	8.16	0.08		5	u99	87 1/2	99	
25 1/8	21 3/8	AlaPw PfA	2.00	0.08		11	u25 1/8	25 1/8	25 1/8	
107	100	AlaPw9.44	9.44	0.09		5	106 1/2	106 1/2	105 1/4	-1 1/4
108	102 5/8	Alab Pw 11				2	104	104	104	
104	96	Alab Pw 9P	9.00	0.09		z100	103	103	104	+1
99	88	Alab 8.28C	8.28	0.08		2	u99	98 1/2	98 1/2	
11	9 3/8	AlaPwDpPf	0.87	0.08		37	10 1/2	10 1/2	10 1/2	
25 7/8	17 1/2	Alaska Air	0.20	0.01	89	432	20 1/8	19 3/4	19 3/4	-3/8
20	10	Albany Int	0.35	0.02	80	199	18 5/8	18 1/2	18 1/2	-1/4
34 3/4	20 1/2	AlCulvr B	0.22	0.01	17	14	24 1/8	23 7/8	23 7/8	-1/8
24 7/8	18 3/4	AlCulvr A	0.20	0.01	17	62	20 1/4	19 7/8	20	+1/8
51 7/8	32 5/8	Albertsons x	0.56	0.02	19	1069	37 1/2	36 1/2	36 3/4	-1/8
23 3/4	18 1/2	Alcan Alum	0.60	0.03	33	1626	20 7/8	20 5/8	20 3/4	-1/8
35 7/8	29	Alco Stand	0.86	0.02	17	176	34 1/4	34	34 1/4	+1/2
29 1/8	19 5/8	Alexr Alex	1.00	0.06	16	175	19 3/4	19 1/2	19 5/8	+1/8
37 1/2	19 3/4	Alexanders			78	24	30	30	30	
29 1/8	21 3/4	Allegh Lud	0.68	0.03	16	25	26 1/8	26	26 1/8	+1/8
43 7/8	35	Allegh Pow	3.16	0.07	12	233	42 5/8	42 3/8	42 1/2	
24 1/2	16 5/8	Allen Gp x	1.75	0.07		79	u24 1/2	23 1/2	23 1/2	+3/8
20 7/8	9 3/4	Allen Con			20	651	20 1/4	18 7/8	19 7/8	+1
25 1/2	16 3/4	Allergan	0.32	0.02	15	798	19 1/4	18 7/8	19	
31 5/8	15 1/4	Allnce Cap	1.92	0.06	16	166	30 5/8	30	30	-1/4
13 7/8	9 7/8	Allnce GI				58	11 3/8	11 1/4	11 1/4	
40 7/8	25 7/8	Alld Sig	1.80	0.04	15	1849	40 3/4	40 1/2	40 5/8	-1/8
10	8 3/4	AlstMunTr	0.69	0.07		165	u10	9 7/8	10	
10	8 5/8	AlstIncOp x	0.84	0.09		213	9 3/8	9 1/4	9 3/8	+1/4
9 7/8	8 1/4	AlstMnInc	0.72	0.07		39	9 3/4	9 3/4	9 3/4	
9 3/4	8 3/8	AlstMnInc x	0.66	0.07		61	9 5/8	9 5/8	9 5/8	+1/8
43 1/4	31 3/4	Alltel Crp x	1.48	0.04	15	451	38 1/4	37 3/4	37 3/4	-1/8
73 1/8	53 3/4	Alcoa x	1.60	0.02	13	3394	64 3/4	63 1/2	63 1/2	-1/8
10 3/8	9 1/8	AmGovInc	0.96	0.09		74	10 1/8	10	10 1/8	+1/8
7 1/2	6 7/8	Am Precis	0.20	0.03		120	7	d6 7/8	6 7/8	-1/8
27 1/2	19	Amax x	0.80	0.04	11	694	20 7/8	20 1/2	20 1/2	-1/4
15 3/4	10 1/8	Amax Gold	0.08	0.01	18	105	12 3/8	12	12	-3/8
1 1/4	1/4	Ambase Cp			0	67	3/8	3/8	3/8	
16	8	Amcast Ind	0.48	0.03	14	491	15 1/2	15 1/4	15 1/4	
59 1/8	42 1/2	Amerada Hs	0.60	0.01	8	755	68 1/4	66 1/4	66 5/8	-1
3/8	1/16	Amdura Crp			0	z100	1/8	1/8	0.18	+0.05
10 5/8	10	Am Adj R	0.84	0.08		57	10 1/4	10 1/8	10 1/8	
26 1/2	16 3/8	Am Barrick	0.10	0.00	46	1000	25 1/4	24 3/4	24 7/8	-1/2
32 1/4	29 3/4	Am Br2.75	2.75	0.09		4	31 7/8	31 7/8	31 7/8	
47 7/8	35 3/8	Am Brands	1.64	0.04	10	4184	40 7/8	40 1/8	40 1/4	-1/8
34 1/2	24 5/8	Am Build M	0.96	0.03	13	16	34	33 7/8	33 7/8	-1/8
35	18 3/4	Am Bus Prd	0.94	0.03	15	35	33 7/8	33 5/8	33 5/8	-1/4
7 5/8	6 1/2	Am Cap Inc x	0.84	0.11		336	7 1/2	7 3/8	7 3/8	-1/8
19 7/8	16 5/8	Am Cap Bd	1.68	0.09	33	25	19 3/8	19 1/4	19 1/4	-1/8
19	16 1/4	Am Cap CV x	1.40	0.07	0	9	18 3/4	18 5/8	18 3/4	+1/4
69	48 1/2	Am Cyanmd x	1.50	0.02	17	2188	64 7/8	63 5/8	63 5/8	-3/4

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

- X - Y - Z -

High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Chng
62⅝	35¼	Xerox x	3.00	0.05		102681	61⅝	61⅛	61½	+½
51½	43¾	XeroxK 125 x				z100	51¼	51¼	50¼	-⅜
23⅞	14¼	Xtra 1.84				5	23⅝	23⅝	23¾	
27¾	14⅛	Xtra Corp	0.72	0.03	90	15	27¼	27	27¼	-¼
28⅝	21¼	Yankee Egy	1.60	0.06	12	51	26¼	25⅞	26	+⅛
1½	⅝	Zapata			2	665	11/16	⅝	11/16	+1/16
9⅛	5⅛	ZenithElec			2	603	7	6¾	6¾	
18½	12	Zenith Nat x	1.00	0.06	94	27	16	16	16	-⅛
6⅛	4½	Zenix Inc x	0.84	0.13		35	u6⅞	6¾	6¾	
15⅛	10⅞	Zero Corp	0.40	0.03	14	253	12⅞	12½	12½	-⅜
41⅜	29½	Zurn Ind x	0.88	0.02	14	118	35⅜	35½	35½	-⅛
13½	10¼	Zweig Fund x	1.16	0.09		176	12⅞	12⅝	12¾	
10½	8½	Zweig Totl	0.96	0.08		465	10⅜	10¼	10¼	

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s) b-annual rate of dividend plus stock dividend. c-liquidating dividend, cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution, xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices October 23

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pegasus G		7	330	12⅛	12	12	-⅛
Perini		6	2	9½	9½	9⅜	
Pet H&P	0.31	12	10	10⅜	10⅜	10⅛	
Phil LD	0.17	10	423	24⅛	23⅞	24⅛	+⅛
Pitney A	1.10	11	81	26⅛	26	26	
Ply Gem	0.12	152	20	7⅝	7⅝	7⅝	
PMC	0.56		25	8¾	8¾	8¾	
RandalA x	0.10	3	368	4	3⅝	4	+⅛
Pric Com		0	20	¾	¼	¼	

NASDAQ NATIONAL MARKET

3:00 pm prices October 23

AMERICA

Equities edge higher as bond yields decline

Wall Street

A FALL in long-term bond yields provided a fillip to the stock market yesterday morning, allowing share prices to make modest gains in the face of a downbeat report on economic conditions by the Federal Reserve, *writes Patrick Harverson in New York.*

By 1 pm the Dow Jones Industrial Average was up 3.13 at 3,042.93, with blue chips staying in a narrow trading range. The more broadly based Standard & Poor's 500 was also slightly firmer at midsession, up 0.48 at 388.31, while the Nasdaq composite of over-the-counter stocks eased 1.00 to 536.14.

Volume on the New York Stock Exchange was heavy at 112m shares, and declines outdistanced rises by 756 to 647.

Prices opened marginally higher, buoyed up by a modest recovery in bond prices, which lowered market interest rates. The latest survey of economic conditions from the Fed, however, did little to improve sentiment. The report highlighted continued weakness in retail sales, auto sales and loan demand. Even manufacturing production, which had grown smartly to mid-year, was showing signs of slowing.

Among individual stocks, RJR Nabisco eased $⅛ to $10⅞ and its junk bonds fell in the fixed-income markets after the giant food and tobacco group reported a third quarter profit of just 7 cents a share. Although this was an improvement on the previous year's loss, the market was worried about the lack of underlying volume growth, especially in domestic cigarette sales.

Toys 'R' Us dropped $1⅛ to $28⅝ after a group of Wall Street analysts cut their earnings estimates for the company, on worries that a pre-Christmas holiday price war among toy retailers would seriously damage profits, as it did last year.

Compaq jumped $1⅛ to $35 in spite of news that the computer manufacturer made a third-quarter loss of 82 cents a share. The loss was partly because of a charge against earnings to cover a restructuring programme, which includes plans for a 12 per cent reduction in the workforce. Investors bought the stock on hopes that the restructuring programme would improve Compaq's prospects of prospering in a competitive market.

USX-Marathon, the recently spun-off energy division of steel group USX, fell $2⅝ to $29⅝ after the company announced that it had suspended drilling at an exploratory oil well in Tunisia.

Elsewhere among energy stocks, Plains Resources, which is quoted on the American Stock Exchange, jumped $2⅝ to $29½ on reports of positive news from tests of its Louisiana oil well, and Comdisco climbed $2⅝ to $24⅝ after the company said that it was reviewing alternatives regarding its oil and gas investments.

Sears rose $⅝ to $37¼ in active trading after the big retailing group revealed third-quarter profits of $150.3m. The figure included a deferred tax charge of $82.9m which should be reversed next year.

Canada

SHARE PRICES remained flat in Toronto at midday, as investors waited for third-quarter corporate results and key US economic figures, due later this week and next week. The composite index fell 1.95 to 3,465.9. Declines led advances by 209 to 194 on volume of 12.9m shares valued at C$136m.

Nova rose C$⅛ to C$7⅞. The energy company said that it had sold its Husky Oil stake for C$325m and would cut its debt. Cott, the soft-drinks bottler which had risen more than 50 per cent since mid-September, fell C$1½ to C$38⅞.

EUROPE

News and comment stimulate the big names

SOME OF Europe's biggest corporate names were moved by news reports and financial comment yesterday, while ugly rumours persisted in Milan, *writes Our Markets Staff.*

FRANKFURT found talking points among its biggest companies, as the DAX index closed 7.18 higher at 1,587.89, after a 0.18 decline to 655.09 in the FAZ at midsession.

Volume rose from DM4.2bn to DM5.1bn, stimulated by the attention paid to Daimler on a newspaper report, to Deutsche Bank on a Paris news conference, and to Allianz on stockbroker recommendations.

The Daimler story said that Kuwait, which owns shares in Daimler worth about DM4.5bn, planned to issue $1bn (DM1.7bn) of bonds eventually convertible into Daimler shares, to help rebuild the country's war-torn infrastructure. This assuaged fears that Kuwait would sell its Daimler stake immediately, and the shares rose DM10.50 to DM679.

Deutsche Bank, reported to be the lead manager for the convertible bond issue, refused to comment; but in Paris, on its own account, it forecast good results for 1991 as a whole. Although it had reservations about extrapolating its 23.4 per cent rise in first-half profits, the shares rose DM3.30 to DM647.50.

FT-SE Eurotrack 100 - Oct 23

Hourly changes

Open	11 am	Noon	1 pm	2 pm	3 pm	4 pm	Close
1100.99	1100.98	1100.42	1099.69	1100.32	1101.13	1099.98	1100.82

Day's High 1102.15 Day's Low 1099.63

Oct 22	Oct 21	Oct 18	Oct 17	Oct 16
1097.32	1097.89	1099.01	1095.78	1095.87

Base value 1000 (26/10/90)

Allianz put on another DM12 to DM2,060 for a three-day gain of DM75. Mr Horst-Kaspar Greven, of Merck Finck in Düsseldorf, said that the shares had been recommended by the UK arm of a US broker.

MILAN fell again as rumours persisted that a large stock-broking operation was in financial difficulties. This situation was blamed for a L15 fall to L230 in Acqua Marcia. Volume stayed low, estimated at less than L100bn compared with L86bn on Tuesday, as the Comit index closed 2.53 down at 523.21.

All sectors showed losses with the exception of telecommunications, where Sip finished kerb trading at L1,258, up L24, on continued foreign investor interest. Fiat was fixed at L5,046, down L74, and like most other stocks rebounded slightly in after-hours trading to L5,055.

AMSTERDAM moved higher, although the index closed below its best level of the day. The CBS Tendency index finished at 90.3, up 0.4, after rising to 90.5 in earlier trading.

Demand for Unilever remained strong. After its gain of Fl 1.50 on Tuesday, it added another Fl 2.80 yesterday before closing Fl 1.90 or 1.2 per cent higher at Fl 166.90, mainly on arbitrage with the company's UK shares.

Fokker, the aerospace group, gained 90 cents to Fl 29.20 on rumours – denied by the company – that it had already placed some shares to help raise capital for the production of its new Fokker 70-seat aircraft. Last week, the stock fell on reports that Fokker was considering a large rights issue to fund the new jet.

Elsevier gained Fl 1.10 to a year's high of Fl 92.60 on the news that it had bought The Lancet, the UK medical journal.

PARIS edged lower in another quiet trading session, although turnover rose to about FFr2.1bn on the last day of the October trading account. The social unrest in France continued to occupy investors' minds: two big unions have called a general strike for today.

The CAC 40 index closed at 1,830.36, down 6.43, after moving between a day's high of 1,841.82 and a low of 1,826.85.

Total, which rose FFr4 to FFr918 in volume of 101,150 shares on Tuesday, gained another FFr15 to a year's high of FFr933 in 152,975 shares. Its issue of 2.9m new shares, priced at FFr903 each, had looked expensive at first, said one dealer, but it was now being reported as already oversubscribed, so demand was spilling over into the market. The issue's subscription period ends today.

Total's listing in New York and its planned stock split in December were also positive for the shares, he said.

MADRID was pulled lower by profit-taking, particularly in Telefónica, the telecommunications group, which has risen sharply recently in active trading. The general index slipped 1.05 to 267.54, as Telefónica fell Pta30 to Pta1,245 in volume of 2.95m shares. Overall turnover shrank to about Pta11bn from Pta15bn.

ZURICH ended steady, the Crédit Suisse index easing 0.9 to 506.0 in moderately active trading after an initial dip. Roche certificates, SFr80 firmer at SFr5,360, topped the active list. CS Holding bearers came second as they rose SFr10 to SFr1,970, recovering a little from Tuesday's report that Moody's had put Crédit Suisse on its credit watchlist.

However, insurers gave up early gains with Swiss Re certificates down SFr40 at SFr2,650, and Winterthur bearers off SFr40 at SFr3,430 after a high of SFr3,500.

ISTANBUL advanced more than 5 per cent, as worries faded about the formation of a new coalition government, following the recent elections.

The 75-share index added 137.52 to 2,809.66 as turnover shot up to a provisional TL137bn from TL55bn. Recent good nine-month company results – ignored during the political uncertainty – also began to push share prices.

SOUTH AFRICA

JOHANNESBURG's mood moved to cautious optimism, with the all-gold index up 6 at 1,216 after a slight fall on Tuesday. Industrials posted a further 18-point gain to 4,157 and the all-share index ended 21 higher at 3,446.

Office suppliers suffer in Scandinavia and Italy

Andrew Jack explains why some stocks in the sector have performed poorly in recent months

IT HAS been a gloomy few months for European and Japanese shares in the telecommunications and office equipment sector. Uninspiring product ranges, the effects of recession on export markets such as the US and UK, and individual corporate difficulties have all helped steer prices into the doldrums for many of the leading players.

Worldwide, shares in the computers, communications and office equipment group have not fared too badly. According to statistics from County NatWest WoodMac, the whole sector rose 1.7 per cent in the quarter from June 30 to September 30 this year, compared with a rise of 3.3 per cent in the overall World Index.

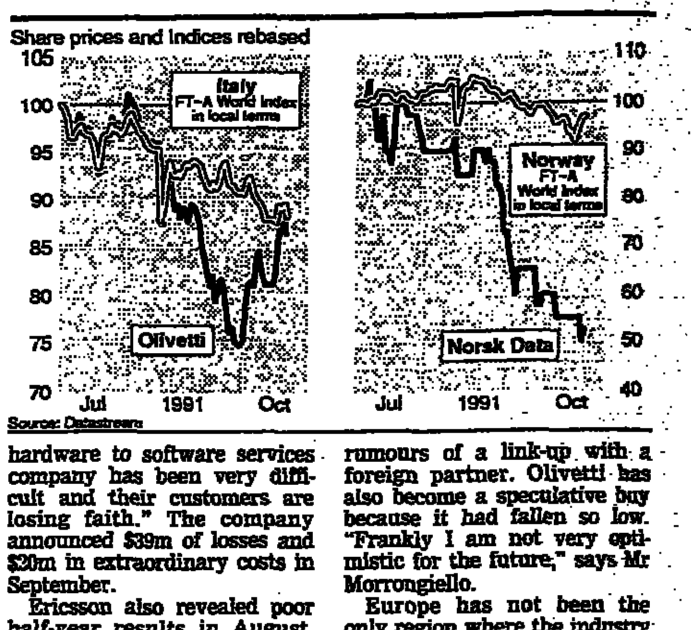
These figures, however, conceal marked geographical variations in the industry's performance. Norway's quotient, for example, dropped 41.9 per cent in the third quarter, Sweden's by 21.5 per cent and Italy's by 14.1 per cent.

In most European countries, the World Index sector components are dominated by a single company or a small handful of companies. Norway's collapse reflects a decline on the quarter of 43 per cent in Norsk Data A shares to NKr8.50 and 43 per cent in Norsk Data B shares to NKr11.50. On Tuesday, the A shares had fallen further to NKr6 and the B shares to NKr10.50.

In Sweden, the slump during the third quarter is attributable to Ericsson free B shares, which dropped 21 per cent to settle at SKr161 at the end of September, and stood at SKr158 on Tuesday.

"All computer companies are having a tough time at the moment, particularly in telecoms," says Mr Michael Sjöwall, an analyst for Scandinavian equities at Kleinwort Benson Securities. "The telecom equipment buyers have been privatised and are becoming more commercial than they used to be. That has put pressure on margins."

"There are questions about the survival of Norsk Data," he adds. "The transition from a hardware to software services company has been very difficult and their customers are losing faith." The company announced $39m of losses and $20m in extraordinary costs in September.



Source: Datastream

Ericsson also revealed poor half-year results in August, with profits below expectations and down by 26 per cent. While sales have been flat, it has been spending large sums on research and development, including work on portable communications equipment.

In Italy, the fall on the September quarter reflected a dip of 6 per cent in Sirti SpA to L10,970 (Sirti has fallen since, to L10,600 by Tuesday) and a drop of 25 per cent in Olivetti to L2,920. "Olivetti had been talking up its share price, with two upbeat presentations," says Mr Tony Morrongiello, head of the Italian team at Carnegie Securities. The company then went on to report first-half operating losses of $59m.

Delays in bringing out its laptop computer forced Olivetti to cut the product price, biting heavily into margins. There has been little sign of productivity increases, and now the company is negotiating a substantial restructuring, which includes cutting at least 10 per cent of its staff.

Nonetheless, the shares have begun to pick up again during October, reaching L3,350 by Tuesday. They have been driven partly by the award of a contract with the Italian post office and partly by rumours of a link-up with a foreign partner. Olivetti has also become a speculative buy because it had fallen so low. "Frankly I am not very optimistic for the future," says Mr Morrongiello.

Europe has not been the only region where the industry has been in disfavour. Japan's components sector managed a turnround in September, with a rise of 4.2 per cent in local currency terms. However, the third quarter registered a decline of 7 per cent, compared with a rise of 2 per cent for Japan as a whole. The biggest percentage drop came from Anritsu (–18.6), followed by Matsushita Communication (–11) and Fujitsu (–10.4).

"We have just had the electronics show, and it has been pretty disappointing," says Mr Mike Jeremy, an analyst with Baring Securities in Tokyo. "These are mature markets, and the companies have failed to breathe any new life into them."

He argues that demand for fax machines, cordless telephones and similar products has been saturated, while innovations like high definition faxes have failed to take off. In fact, many small businesses have bought lower margin faxes launched for domestic use.

At the same time, suppliers have been suffering from the effects of the recession in the US and UK. The omens for the next few months remain murky.

ASIA PACIFIC

Property sector rises despite Nikkei's fall

Tokyo

THE OVERNIGHT decline on Wall Street, the weaker yen and higher bond yields depressed share prices yesterday, although some sectors retained investor interest, *writes Emiko Terazono in Tokyo.*

The Nikkei average ended 154.72 down at 24,799.94, after moving between a day's high of 24,891.11 and a low of 24,716.37. Fears of overheating prompted profit-taking, while higher bond yields led to arbitrage selling.

Volume fell to 450m shares from 500m as domestic investors stayed on the sidelines, but foreign investors remained active. Mr Nick Cant at Baring Securities said foreigners would continue to be active during the forthcoming company results season.

Declines led advances by 516 to 456, with 174 issues unchanged. The Topix index of all first section stocks shed 7.18 to 1,877.09, but in London trading the ISE/Nikkei 50 index put on 2.23 to 1,421.54.

Certain sectors remained popular. Investors sought construction and property issues after reports that the Finance Ministry would lift bank loan restrictions on real estate lending. Tokyu Land jumped Y57 to Y728 and Sekisui House added Y10 at Y1,510. Companies with positive earnings prospects were also firm.

Biotechnology-related shares were among the most active stocks. Investors took profits in stocks which had been popular recently: Meiji Milk Products, the most traded issue, receded Y30 to Y1,230 and Nippon Zeon, the chemical company, lost Y17 to Y728.

Popularity shifted to Nippon Chemi-Con, which rose Y60 to Y1,150, and Sumitomo Heavy Industries, up Y14 at Y777 on rumours that it had discovered a laser beam to cure cancer.

The Tokyo Stock Exchange announced that 1.2bn shares worth Y1,448bn had been held for arbitrage against December stock-index futures at October 18, up 80m shares or Y124.9bn from the previous week.

Morgan Stanley was the most active arbitrageur in the week of October 14-18, having traded 13.8m shares. Nikko Securities was second, followed by CS First Boston.

In Osaka, the OSE average slipped 2.07 to 27,145.02 on profit-taking, particularly in machinery and textile stocks. Volume came to 30m shares.

Roundup

BARGAIN HUNTING and profit-taking coloured trading on the Pacific Rim yesterday. Bangkok was closed for a public holiday.

HONG KONG rebounded after its recent weakness. The Hang Seng index rose 39.72 to 4,021.38 as turnover recovered to HK$1.04bn from HK$931m.

Hong Kong Telecom gained 15 cents to HK$7.80 on interest from US institutions, following the group's overseas roadshow. HSBC Holdings added 50 cents at HK$32 on news that its Marine Midland bank subsidiary in the US had reduced its third-quarter net losses.

SINGAPORE absorbed some profit-taking and closed higher, with the Straits Times Industrial index up 9.79 at 1,424.58. Volume remained strong at 86m shares, against 86.7m.

SEOUL showed little response to the announcement late in the day that North and South Korea had agreed in principle to adopt a comprehensive accord aimed at easing tension.

The composite index rose 4.49 to 714.36 as turnover eased to Won383bn from Won399bn. Buying focused on financial and small and medium-sized companies.

AUSTRALIA saw a little profit-taking after seven days of gains, with the All Ordinaries index ending 6.0 down at 1,637.5 in reduced turnover of A$266m (A$316m).

News Corp retreated 30 cents to A$12.90. At the close, there was an announcement that it plans to spin off its Australian commercial printing and magazine operations into a separate company.

TAIWAN's weighted index recovered 46.99 to 4,135.64 following a plunge of 207.91 on Tuesday in response to rising political tensions. NEW ZEALAND declined on light profit-taking, the NZSE-40 index closing 11.03 off at 1,488.33.

KUALA LUMPUR remained cautious before the budget, due at the beginning of next month. The composite index finished 3.62 ahead at 525.98 but after profit-taking had trimmed earlier gains.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY OCTOBER 22 1991								MONDAY OCTOBER 21 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (69)	158.25	+0.5	136.85	131.19	139.42	132.36	+0.7	4.60	157.52	135.86	130.14	138.44	131.48	158.25	112.74	127.39
Austria (20)	164.85	−0.9	142.55	136.67	145.23	145.25	−0.4	1.96	166.35	143.47	137.44	146.21	145.81	222.37	154.82	210.22
Belgium (47)	128.96	−0.4	111.52	106.91	113.61	111.00	−0.1	5.34	129.52	111.71	107.00	113.83	111.15	161.20	118.04	138.14
Canada (114)	139.63	−0.1	120.74	115.75	123.00	113.94	−0.1	3.28	139.75	120.53	115.45	122.81	114.04	142.27	128.49	123.81
Denmark (37)	254.11	+0.7	219.74	210.67	223.86	226.55	+1.1	1.58	252.23	217.54	208.39	221.68	224.01	270.56	217.74	260.10
Finland (15)	84.06	−1.1	72.69	69.69	74.06	72.62	−0.7	3.35	84.99	73.30	70.22	74.70	73.16	125.15	83.69	98.91
France (109)	138.66	−0.6	119.91	114.95	122.16	125.77	−0.4	3.53	139.57	120.37	115.30	122.65	126.27	152.26	119.11	142.04
Germany (65)	105.99	+0.4	91.66	87.88	93.37	93.37	+0.6	2.42	105.61	91.09	87.26	92.82	92.82	125.35	94.15	117.49
Hong Kong (55)	164.01	−0.5	141.83	135.97	144.49	163.23	−0.5	4.46	164.78	142.12	136.13	144.83	163.99	169.98	119.62	125.66
Ireland (18)	158.68	−0.2	137.21	131.55	139.79	141.80	+0.0	3.53	159.00	137.14	131.37	139.75	141.62	182.46	132.88	165.90
Italy (77)	69.50	−1.7	60.10	57.61	61.22	65.79	−1.5	3.52	70.70	60.97	58.41	62.13	66.76	88.23	64.76	88.45
Japan (474)	142.15	−0.6	122.92	117.85	125.25	117.85	−0.3	0.72	143.00	123.33	118.14	125.70	118.14	146.97	118.23	140.30
Malaysia (68)	198.30	+1.8	171.48	164.39	174.69	209.87	+1.8	2.91	194.84	168.04	160.96	171.24	206.09	247.78	189.18	205.95
Mexico (16)	1321.71	−1.1	1142.93	1095.72	1164.38	4424.85	−1.1	1.19	1336.04	1152.30	1103.80	1174.23	4472.84	1336.04	594.45	533.32
Netherland (31)	140.30	+0.0	121.33	116.31	123.61	122.28	+0.3	4.41	140.30	121.01	115.91	123.31	121.96	145.73	125.70	136.86
New Zealand (14)	47.89	−0.2	41.41	39.70	42.19	45.10	+0.2	6.44	48.00	41.39	39.65	42.18	45.01	54.64	41.18	54.54
Norway (31)	192.52	−0.5	166.48	159.60	169.61	173.57	+0.2	1.62	193.48	166.87	159.85	170.05	173.28	223.24	178.58	241.56
Singapore (38)	198.57	+2.8	171.71	164.62	174.93	155.10	+2.7	2.23	193.59	166.96	159.94	170.14	151.08	208.25	151.63	168.20
South Africa (61)	254.47	+0.1	220.05	210.96	224.18	172.48	+0.0	2.81	254.11	219.16	209.93	223.32	172.49	258.85	173.00	160.64
Spain (53)	153.83	+0.8	133.03	127.54	135.52	124.41	+0.9	4.40	152.56	131.57	126.04	134.08	123.26	171.12	131.51	152.50
Sweden (25)	181.78	−1.1	157.19	150.70	160.15	166.11	−0.5	2.88	183.88	158.59	151.92	161.62	166.94	204.12	146.60	178.83
Switzerland (59)	94.65	−0.4	81.84	78.47	83.39	86.84	−0.4	2.22	95.03	81.96	78.52	83.54	87.23	100.67	82.17	95.00
United Kingdom (240)	175.88	−0.9	152.09	145.80	154.93	152.09	−0.6	4.87	177.40	153.00	146.55	155.90	153.00	187.44	156.27	165.32
USA (526)	157.63	−0.5	136.31	130.69	138.87	157.63	−0.5	3.07	158.41	136.63	130.88	139.23	158.41	161.02	125.95	125.84
Europe (827)	138.38	−0.5	119.66	114.72	121.91	121.35	−0.3	3.95	139.09	119.96	114.92	122.25	121.68	151.52	125.50	139.74
Nordic (108)	181.74	−0.2	157.16	150.67	160.11	157.73	+0.3	2.06	182.14	157.09	150.48	160.08	157.25	200.81	155.55	188.16
Pacific Basin (716)	142.61	−0.5	123.32	118.23	125.64	119.13	−0.2	1.05	143.32	123.61	118.41	125.97	119.34	145.92	117.86	139.02
Euro – Pacific (1545)	141.28	−0.5	122.17	117.11	124.45	120.87	−0.2	2.18	141.99	122.46	117.30	124.79	121.13	147.66	121.29	138.68
North America (640)	156.44	−0.5	135.28	129.71	137.84	154.68	−0.5	3.08	157.18	135.56	129.87	138.17	155.41	159.66	125.91	125.63
Europe Ex. UK (587)	116.13	−0.2	100.42	96.29	102.33	103.72	+0.0	3.25	116.42	100.41	96.20	102.34	103.74	129.80	103.58	123.60
Pacific Ex. Japan (244)	147.05	+0.4	127.16	121.93	129.56	129.69	+0.6	4.26	146.40	126.26	120.97	128.68	128.96	147.60	111.40	123.14
World Ex. US (1736)	143.14	−0.5	123.78	118.68	126.11	122.20	−0.2	2.22	143.83	124.05	118.84	126.42	122.46	148.16	122.32	139.58
World Ex. UK (2022)	144.19	−0.4	124.69	119.54	127.04	131.42	−0.3	2.26	144.83	124.91	119.66	127.30	131.79	145.77	120.06	130.67
World Ex. So. Af. (2201)	146.25	−0.5	126.47	121.26	128.85	133.06	−0.3	2.52	146.98	126.76	121.44	129.19	133.48	148.66	122.92	133.59
World Ex. Japan (1788)	150.92	−0.4	130.51	125.13	132.98	141.75	−0.3	3.43	151.57	130.73	125.24	133.24	142.23	152.85	126.69	131.67
The World Index (2262)	146.96	−0.5	127.08	121.84	129.48	133.40	−0.3	2.53	147.68	127.37	122.01	129.80	133.81	149.01	123.26	133.75

Latest prices were unavailable for this edition.